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## SUMMARY OVERVIEW

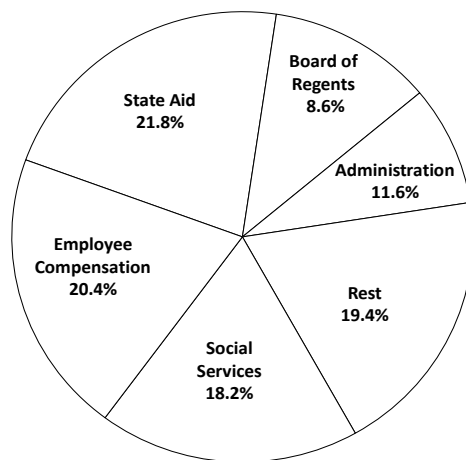
Governor Daugaard is recommending a budget (including special appropriations) for FY2017 totaling \$4,837,637,411 and 13,940.2 FTE. This represents an overall increase of \$420,093,410 in total funds and a decrease of 63.4 FTE over FY2016. For FY2017, the Governor is proposing a general fund budget of \$1,492,578,431, which is an increase of \$11,867,064 over the FY2016 budget. The proposed FY2017 general fund budget is distributed as follows:

- \$561.5 million, or 37.6% for Health, Human, and Social Services;
- \$451.7 million, or 30.3% for Aid to Schools;
- \$206.6 million, or 13.9% for Higher Education;
- \$100.1 million, or 6.7% for Corrections;
- \$69.1 million, or 4.6% for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials;
- \$19.6 million, or 1.3% for Agriculture; Environment and Natural Resources; and Game, Fish & Parks; and
- \$83.9 million, or 5.6% for the Remainder of State Government.

The graph below depicts the FY2017 recommended general fund increases, excluding special appropriations and including the employee compensation package.

### FY2017 General Fund Increases

Excluding Special Appropriations and Including Employee Compensation Package



**TOTAL INCREASE:**  
**\$59,304,039**

State Aid	\$ 12.9
Employee Compensation	\$ 12.1
Social Services	\$ 10.8
Board of Regents	\$ 5.1
Bureau of Administration	\$ 6.9
Rest	\$ 11.5

# **U.S. AND SOUTH DAKOTA ECONOMIC FORECASTS**

## **U.S. ECONOMY**

### **RECENT ECONOMIC ACTIVITY**

US economic growth started out weak in the beginning of 2015, with real GDP in the first quarter growing just 0.6%. The weakness in the first quarter was a result of lower consumer spending, lower exports due to the West Coast port labor strikes, as well as winter weather related factors. Overall, economic growth has improved since the first quarter's low reading as consumption, investment, exports, and government spending rebounded as the year progressed. Since the US economy exceeded the previous peak level of nonfarm employment in 2014, the US employment expansion has continued in 2015. The average monthly gain in US payroll employment in 2015 has been 206,000 jobs through October and is currently 2.0% higher than a year ago. This increase in employment is supporting increases in consumer spending in 2015 and is expected to continue in 2016. Since the Great Recession ended six years ago, the US economy has been growing. However, GDP has not exceeded 2.5% for a single calendar year in this time period, suggesting an overall weak economic recovery. In comparison, real GDP averaged 3.0% growth over the 10 years prior to the recession beginning in late 2007. The current economic outlook for 2016 and 2017 suggests slightly stronger economic growth than realized over the past few years due to healthy consumer spending and continued improvement in the housing market.

Low oil and retail gasoline prices continue to keep overall prices and consumer inflation subdued as the consumer price index has been near zero the past few months compared to a year ago. These lower prices provide additional disposable income for consumers heading into the holiday shopping season. This will support 2015 holiday retail sales, which are expected to increase 3.5% from a year ago.

The Federal Reserve continues to support an accommodative monetary policy through a low federal funds rate. The federal funds target rate is currently at 0.0% - 0.25% range - the same level it has been since December of 2008. Over the course of 2015, the Federal Reserve has evaluated the strength of the US economy, as well as inflation measures to determine the timing of when to make the first increase in

interest rates in nearly seven years. IHS Economics as well as the financial markets continue to monitor the Federal Reserve's activities and anticipate an increase in either December 2015 or early 2016.

Recent economic indicators show the economy continues to grow in 2015. The following are recent key national economic statistics:

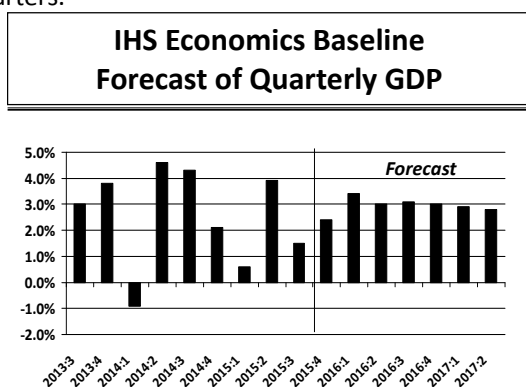
- Advance estimates indicate real GDP grew 1.5% in the third quarter of 2015, slower than the 3.9% growth registered in the second quarter, primarily due to an inventory correction from the second quarter.
- The unemployment rate was 5.0% in October, 0.1% lower than September's rate. The current rate is 0.7% lower than October of 2014.
- The Institute of Supply Management's (ISM) manufacturing report on business was 50.1 in October, down from 50.2 in September. This was the 34<sup>th</sup> consecutive month the index has been above 50 after it briefly dropped to 49.0 in May of 2013. A reading above 50 usually indicates the manufacturing sector is expanding.
- The ISM non-manufacturing report on business was 59.1 in October, up from 56.9 in September. This was the 69<sup>th</sup> consecutive monthly reading above 50, indicating continued expansion.
- US personal income increased at an annual rate of 3.8% in the second quarter and strengthened to 4.6% in the third quarter of 2015. Personal income grew 5.0% in 2012, 1.1% in 2013, and 4.4% in 2014.
- Real total consumption increased 3.6% in the second quarter and 3.2% in the third quarter of 2015. Both quarters were driven by strong increases in durable goods spending of 8.0% and 6.7%, respectively.
- Total construction spending was up 0.6% in September compared to August. Private construction was up 0.6%, while public construction was 0.7% higher compared to the prior month. Year-to-date through September 2015, construction spending is up 9.3% compared to the same time period in 2014.

## NATIONAL FORECAST HIGHLIGHTS

*This section summarizes IHS Economics forecast as of November 2015 for various categories of the US economy. IHS Economics is one of the most respected economic forecasting firms in the world.*

**GDP:** US economic growth was robust in late 2014 before slowing in the first quarter of 2015 as economic growth was weakened by poor weather conditions, declines in exports as well as declines in mining and petroleum investment. The combination of these factors caused real GDP growth to fall from 4.3% and 2.1% in the third and fourth quarters of 2014 to just 0.6% in the first quarter of 2015. Stronger growth returned in the second quarter as the factors contributing to the decline in the first quarter were mostly temporary. Higher exports, improvements in the housing sector, and stronger consumer spending led to stronger economic growth in the second quarter of 2015. Inventories surged in the second quarter and were lower in the third quarter, which pulled the third quarter GDP growth rate down to 1.5%. However, underlying growth was still strong in the third quarter as real final sales of GDP (GDP less private inventory change) grew 3.0% in the third quarter of 2015. Currently, IHS Economics believes the downside risks are mostly global in nature and is assigning a slightly higher probability of negative (20%) vs. positive (15%) risks in the US economic outlook at this time. IHS's baseline forecast is for stronger economic growth over the next several quarters. Growth over the coming year is expected to be slightly stronger than 2015, mostly due to stronger domestic consumption.

In the first three quarters of this year, real GDP grew 0.6%, 3.9% and 1.5%, respectively. In the fourth quarter, GDP is forecast to grow 2.4%. In the four quarters in 2016, IHS Economics is projecting GDP growth of 3.4%, 3.0%, 3.1%, and 3.0%. In 2017, GDP is forecast to increase 2.9% and 2.8% in the first two quarters.



On an annual basis, GDP grew 2.5% in 2010, 1.6% in 2011, 2.2% in 2012, 1.5% in 2013, and 2.4% in 2014. IHS Economics latest forecast projects real GDP to grow 2.4% in 2015, 2.9% in 2016, and 2.8% in 2017.

**CONSUMERS:** Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. In 2009, real consumer spending declined 1.6% as the recession caused major job losses leading to depressed consumer spending. Over the next five years, consumer spending improved with growth rates of 1.9%, 2.3%, 1.5%, 1.7%, and 2.7% respectively. In 2015, real consumption growth has been 1.8%, 3.6%, and 3.2% the first three quarters, and is anticipated to be 3.1% in the fourth quarter. The growth of 3.2% realized in the third quarter was led by a 6.7% increase in spending on durable goods while nondurable and service consumption registered growth rates of 3.5% and 2.6%, respectively. The growth in durable goods continues to be positive news as stronger consumer confidence is boosting purchase of larger ticket items. The Reuters/University of Michigan's index of consumer confidence improved in October and November and has registered strong readings throughout 2015, a good sign heading into the holiday shopping season. Continued low gasoline prices will allow more discretionary spending during the fourth quarter. IHS Economics expects holiday sales in November and December to increase 3.5% over last year, not as strong as last year's 4.1%, but significantly stronger than the previous two years. On an annual basis, real consumption is projected to increase by 3.2% in 2015, 3.2% in 2016 and 3.1% in 2017.

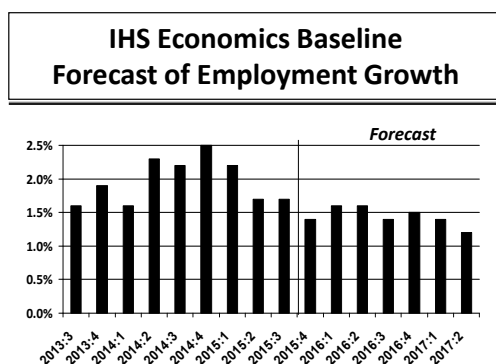
The personal savings rate (as a percentage of disposable income) was 4.7% in the third quarter of 2015. This compares to the 5.2% and 4.6% savings rate registered in the first and second quarter. In 2012, 2013, and 2014 the savings rate was 7.6%, 4.8%, and 4.8%, respectively. The savings rate is projected to be 4.9% in 2015, 5.0% in 2016, and 5.1% in 2017.

**EMPLOYMENT:** The latest US payroll employment report indicated total nonfarm employment grew by 271,000 jobs in October, stronger than anticipated. Private sector employment increased by 268,000, which increased the total gains for private employment payrolls to slightly more than 1.9 million so far in 2015. The sectors showing the largest gains over the past several months include: professional and business services, health care, retail trade, food services and drinking places and construction. The

mining sector continued to show declines in the past few months. In the fourth quarter of 2015 nonfarm employment is expected to be 2.5 million jobs higher than the fourth quarter of 2014, representing a 1.8% year-over-year growth rate. Modest growth is expected to continue in 2016 and 2017. The current forecast shows total employment growing 2.9 million jobs in 2015 on an annual basis compared to 2014. In 2016 and 2017, employment growth is estimated to be 2.2 million and 2.0 million jobs, registering growth rates of 1.6% and 1.4%, respectively.

The unemployment rate in October continued to decrease to 5.0%, which was 0.1% lower than September and 0.7% lower than a year ago. The unemployment rate is expected to stabilize near 5.0% during 2016 and 2017 due to steady employment gains. On an annual basis, the unemployment rate was 8.9% in 2012, 7.4% in 2013, and 6.2% in 2014. In 2015 and 2016, the unemployment rate is projected to be 5.3% and 5.1%, respectively, on an annual basis. In 2017, the unemployment rate is projected to be 5.0%.

In the first three quarters of 2015, nonfarm payroll employment realized growth rates of 2.2%, 1.7%, and 1.7%, respectively (seasonally adjusted annual rate). Employment growth is projected at 1.4% in the fourth quarter of 2015. Continued employment growth is expected to continue in 2016 with growth rates of 1.6%, 1.6%, 1.4%, and 1.5% in the four quarters. In the first two quarters of 2017, payroll employment growth is projected of 1.4% and 1.2%, respectively.



On an annual basis, payroll employment in the US increased 1.7% in 2012, 1.7% in 2013, and 1.9% in 2014. Payroll employment is forecasted to grow 2.1% in 2015, 1.6% in 2016, and 1.4% in 2017.

**HOUSING:** Recent data releases regarding the housing market have been mostly positive. Existing home sales in September reached a 5.55 million unit annual rate and thus far in 2015 has been the best year-to-date

average since 2006. Housing starts in the third quarter were at a rate of 1.16 million units, the highest quarterly rate in eight years. In terms of prices, the median sales price of existing single-family homes was up 5.5% year-over-year in the third quarter. The S&P/Case-Shiller Home Price Index was up 4.7% year-over-year in August. Since the recession, households have shifted from homeownership to renting for their primary residence. The rental vacancy rate has fallen 1.0% in the past two years while the homeownership rate continues to fall, registering 63.7% in the third quarter of 2015, which is 1.6% lower compared to two years ago. One positive note in the third quarter was the increase in the homeownership rate for those under the age of 35 from 34.8% to 35.8%. While too early to signal a trend, this may signal an increase in household formation and will support the housing market in 2016 and 2017. Demand for housing continues to be strong as the homeowner vacancy rate was 1.9% in the third quarter, indicating new housing units are being absorbed by the market. New mortgage disclosure requirements started this past October and the likelihood of rising interest rates in 2016 will counter some of the positive growth from the housing market over the next couple of quarters, but housing is still anticipated to be an overall positive aspect of the US economy in 2016 and 2017. Residential investment in housing is expected to contribute 0.3% and 0.4% growth to real GDP in 2016 and 2017, respectively.

Total housing starts are projected to be 1.11 million units in 2015 and 1.27 million units in 2016, and then grow to 1.44 million units in 2017 as the housing sector continues to improve. In 2012, 2013, and 2014, total housing starts were 0.78 million, 0.93 million, and 1.00 million units, respectively. IHS Economics is forecasting the median price of existing homes to increase by 6.2% in 2015. In 2016 and 2017 prices are expected to grow 0.6% and 5.5%, respectively.

**INFLATION:** The Consumer Price Index (CPI) grew 0.2% in October, essentially reversing the 0.2% decline that was realized in September. The October 2015 CPI was up just 0.1% year-over-year. Decreasing energy prices were offset by higher service prices in other areas during October. The core CPI (excludes food and energy prices) increased at a 1.9% rate year-over-year in October. IHS Economics expects core price increases to remain in the 1.5% to 2.0% range, well within the Federal Reserve's target as wage inflation remains subdued. IHS expects headline inflation to decrease 0.9% in the

fourth quarter due to low energy prices and a strong US dollar. Low energy prices combined with a strong US dollar are anticipated to keep inflationary pressures relatively low over the forecast period.

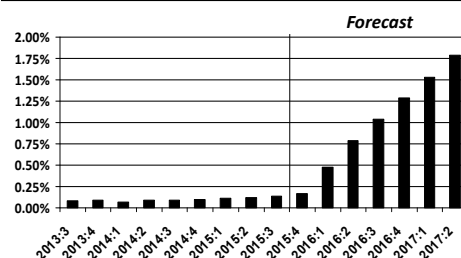
The CPI increased 2.1% in 2012, 1.5% in 2013, and 1.6% in 2014. The CPI is forecast be flat at 0.0% in 2015 and then grow 1.4% and 2.7% in 2016 and 2017, respectively. The producer price index for finished goods grew 1.9% in 2012, 1.2% in 2013, and 1.9% in 2014. It is expected to decrease 3.3% in 2015, and increase 0.7% and 2.8% in 2016 and 2017, respectively.

**MONETARY AND FISCAL POLICY:** Monetary and fiscal policies were very aggressive during the economic recession. The Federal Reserve utilized traditional as well as other liquidity and quantitative easing programs in an effort to support financial markets and the economy. In terms of fiscal policy, the federal government enacted a \$787 billion economic stimulus package in early 2009 as well as a temporary cut in payroll taxes for employees in 2011, which was extended into 2012. These actions helped stabilize the economy during and after the recession.

These actions the Federal Reserve took during the recession to stabilize the financial system and economy grew the Fed's balance sheet from under \$1 trillion in 2008 to nearly \$4.5 trillion at the present time. Over the next several years, the Federal Reserve has a delicate job of normalizing interest rates and monetary policy. If the Federal Reserve withdraws monetary stimulus too quickly, they risk slowing the US economic expansion. If they act too slowly, the economy could begin growing quickly and risk an increase in inflation. The Federal Reserve continues to monitor economic conditions and inflation measures to gauge when to act on interest rates and/or to begin reducing the amount of assets held within their balance sheet.

Currently, the federal funds target rate remains at the record low range of 0%-0.25% since being set in December of 2008. IHS Economics expects the Federal Reserve will start increasing the target rate in December of 2015 and gradually raise rates over the course of 2016 and 2017.

### IHS Economics Baseline Forecast of the Federal Funds Rate



In terms of fiscal policy, the Bipartisan Budget Act of 2015 was recently signed into law, which suspended the debt ceiling and funded the federal government for two years. This removes some of the uncertainty regarding fiscal policy in the short term. However, an omnibus spending bill still needs to be passed to appropriate the funds prior to December 11th to continue funding the federal government. The federal discretionary budget authority was increased by \$80 billion over two years, evenly split between defense and nondefense spending. This increase is anticipated to boost GDP by 0.1% point in 2016 and 2017.

The unified federal deficit for federal fiscal year 2015 was \$439 billion, which is \$44 billion lower than fiscal year 2014. The fiscal year 2015 deficit represents approximately 2.5% of GDP, an improvement from 2.8% of GDP in fiscal 2014. IHS Economics forecasts a larger deficit of \$521 billion for federal fiscal year 2016.

Real federal government purchases declined 2.7% in 2011, 1.9% in 2012, 5.7% in 2013 and 2.4% in 2014. Real federal government purchases are expected to decline 0.4% in 2015, increase 3.5% in 2016, and decline 0.5% in 2017.

**INTERNATIONAL:** Global economic growth has been weak in 2015 as slowing growth in China, combined with weakness in Europe, Japan, and South American economies. The European economy realized just 1.6% growth in GDP in the third quarter, while Japan and South American economies declined 0.1% and 2.0%, respectively in the third quarter. Weaker growth from abroad coupled with the increase in the value of the US dollar between major trading partners has slowed export growth and will continue through the first half of 2016. GDP growth in Japan declined 0.1% in 2014 and is forecast to grow just 0.5% in 2015. Continued sluggish growth is expected in 2016 at 1.0%. Chinese financial markets were extremely volatile in late summer with Chinese stock indexes falling nearly 45% over a two month period, however underlying growth in the Chinese economy still appears to be positive,

just at rates lower than was experienced in the previous decade. Real GDP growth in China slowed to 5.3% in the third quarter, down from the second quarter growth of 7.4%. The Chinese economy grew 7.3% in 2014 and is forecast to slow to 6.5% in 2015 and 6.3% in 2016.

In terms of GDP, global economic growth is projected to be 2.5% in 2015, but improving to 3.0% in 2016. The forecasts for real GDP growth for 2016 for the United States, Eurozone, South America, and Canada are 2.9%, 1.7%, -0.2%, and 1.8%, respectively.

The US trade deficit decreased in September to \$40.8 billion compared to \$47.0 billion in August as imports dropped and exports increased. After growing 3.4% in 2014, real export growth is expected to slow to 1.6% in 2015 and 2.8% in 2016. Overall, IHS Economics forecasts net exports to be -\$439 billion in 2015, and then increase to -\$446 billion in 2016, and -\$523 billion in 2017. The stronger growth in the US economy in 2016 and 2017 means imports are likely to grow faster than exports.

#### **RISKS TO THE FORECAST**

The US economy continued a modest pace of growth in 2015, despite weak growth in the first quarter. Increases in consumption and investment helped push the economy to 3.9% and 1.5% GDP growth in the second and third quarter. Currently, IHS Economics is assigning a slightly higher probability of negative risks versus positive risks in the current economic outlook.

A 15% probability exists of US economic growth being much stronger than the baseline forecast. In IHS Economics' optimistic scenario, GDP is projected to grow 2.5% in 2015, followed by robust growth of 4.0% in 2016 and 3.9% in 2017. The optimistic scenario assumes higher productivity growth and stronger increases in household formation which help fuel the housing and construction market in the United States. In addition, foreign economies realize stronger growth in the optimistic scenario.

While signs of improvement exist, concerns still remain including emerging economies, restless financial markets, and the housing recovery. IHS Economics' pessimistic scenario has a 20% probability of occurring. In this scenario, foreign economies weaken further, which fuels a downturn in financial markets across the globe. Lower stock markets weaken consumer confidence and in turn the housing market, sending

prices lower. Weak domestic demand combined with declining exports lead to little employment growth, depressed wages, and higher unemployment. In the pessimistic scenario, real GDP grows just 0.3% and 0.4% in the first two quarters of 2016. In the pessimistic forecast, GDP grows just 2.4% in 2015, 1.1% in 2016, and 2.2% in 2017.

## ***SOUTH DAKOTA ECONOMY***

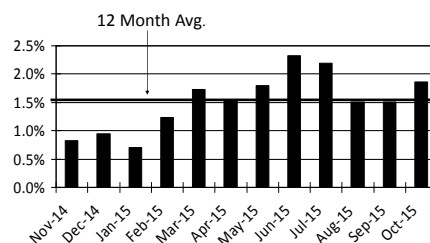
### **RECENT ECONOMIC ACTIVITY**

*This section briefly summarizes recent economic activity in South Dakota. A prime indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by most economists as the most timely and comprehensive measure of the performance of a state's economy.*

Nonfarm employment growth in South Dakota increased at an average rate of 1.4% from 2002 through 2008, approximately 0.6% higher than the U.S. nonfarm employment growth rate of 0.8% over the same time period. However, the 2007 to 2009 economic recession caused declines of 1.9% and 0.1% during 2009 and 2010 in South Dakota's employment. In 2011 through 2014, positive growth returned with growth rates of 1.1%, 1.7%, 0.8%, and 1.4%, respectively. So far in 2015, employment growth has registered positive growth.

South Dakota had relatively strong employment growth in 2006, 2007, and 2008, adding 8,700, 8,000 and 4,900 jobs, respectively. However, the national recession led to 7,700 job losses during 2009 and 600 job losses in 2010. In 2011 through 2014, nonfarm employment grew 4,300 jobs, 6,800 jobs, 3,500 jobs, and 5,800 jobs, respectively. In October 2015, nonfarm employment was up 1.58% from a year ago.

#### **Recent Growth in S.D. Nonfarm Employment**





The following are some recent key South Dakota economic statistics:

- In the last twelve months (November 2014 through October 2015), nonfarm employment (seasonally adjusted) in South Dakota grew by 1.5% over the same period a year ago. All major employment sectors experienced growth in the last twelve months as follows: mining, logging, and construction (4.61%); manufacturing (4.50%); education and health services (2.10%); trade, transportation, and utilities (1.17%); leisure and hospitality (0.94%); other services (0.84%); government (0.61%); financial activities (0.25%) and professional and business services (0.14%).
- The unemployment rate in South Dakota was the third lowest in the US in October at 3.2%. This was 1.8% below the national rate of 5.0% in October, and 0.1% lower than South Dakota's unemployment rate from October of 2014.
- During the twelve-month period from November 2014 through October 2015, the number of titles issued for new noncommercial vehicles was 40,675, which was down 2,086, or 4.9%, over the prior twelve-month period.
- The total number of residential units authorized by building permits issued January through September of 2015 was 3,396, which was down 69 units from the same time period in 2014. The value of residential building permits issued year-to-date in 2015 was \$527.8 million. This is a decrease of \$27.4 million from the first 9 months of 2014.

#### **COUNCIL OF ECONOMIC ADVISORS**

*The Council of Economic Advisors, which has been in existence since 1991, consists of twelve members that encompass economics professors and business people from South Dakota. The purpose of the Council is to assist in the development of the best possible forecast of South Dakota's economy. This section summarizes the Council's view of South Dakota's economy.*

**TOURISM:** The economic impact in South Dakota from tourism totaled \$1.99 billion in 2014, a record high in South Dakota. This was a 2.6% growth in the economic impact compared to 2013. The growth rate experienced in 2014 was largely due to increased spending by visitors compared to 2013 as taxable sales related to tourism were up 5.2%.

Tourism activity has been strong thus far in 2015 as both visitation figures and taxable sales are indicating strong increases. Total visitation in the state through 9 months was 8.0% higher than a year ago and tourism taxable sales registered a 16.3% increase in the first 9 months of 2015. Based on low gas prices and increases in taxable sales, the outlook for the South Dakota tourism industry is positive heading into 2016 as the state continues to promote South Dakota as a travel destination in traditional markets as well new markets.

**AGRICULTURE:** In 2014, the agricultural economy in South Dakota produced cash receipts of \$10.77 billion, which was an increase of \$0.64 billion from 2013's cash receipts. Crops generated \$6.13 billion and livestock generated \$4.64 billion in 2014. Lower crop prices were more than offset by higher livestock prices in 2014.

Overall, crop production in 2014 was strong due to favorable growing conditions across the state. In 2014, corn for grain production totaled 787.4 million bushels, down slightly from the 802.8 million bushels in 2013 due to fewer acres harvested. The average yield of 148 bushels per acre was up from 2013's yield of 137 bushels per acre. Soybean production was 230.0 million bushels, an increase compared to 2013's production of 185.5 million bushels. Wheat production in 2014 was 131.3 million bushels compared to 77.6 million bushels the prior year. Livestock production in 2014 was similar compared to 2013 levels. The 2014 calf crop totaled 1.62 million head compared to 2013's production of 1.68 million head. The pig crop in 2014 was 3.69 million head, equal to 2013's production of 3.69 million head.

Crop production levels are higher for South Dakota producers in 2015 due to optimal growing conditions across much of the state during the year. According to the National Agricultural Statistics Service, as of November 1, corn production is projected to be 801.9 million bushels, up 14.5 million bushels compared to 2014. The corn yield is estimated to be 162 bushels per acre, up 14 bushels from last year's yield. If realized, this would be the highest yield on record for the state. Soybean production is expected to be 235.1 million bushels, up 2.2% from a year ago, with a yield of 46 bushels per acre, up 1.0 bushel from the 2014 yield. Overall, net farm income for 2015 is anticipated to be down from 2014 as crop prices are lower compared to a year ago. However, strong livestock

prices for cattle and hogs will offset some of the price loss from crops.

The Council's outlook for the agricultural economy is cautious for 2016 and 2017. Larger supplies and lower demand for crops have put downward pressure on prices over the past two years. That combined with still elevated input costs has led to smaller profit margins and lower spending on capital items such as machinery and equipment. The lower prices for crops are partially being offset by higher livestock prices. However, over the long term, continued growth in worldwide demand for agriculture products will ensure a healthy agriculture economy in the future.

**CONSTRUCTION:** So far in 2015, construction activity has been strong. Contractor's excise tax collections are up 10.7% so far through the first 9 months of activity in calendar year 2015 compared to the prior year. Much of the increase so far in 2015 is from non-residential construction as building permits related to housing are slightly lower compared to a year ago. Total housing units authorized by residential building permits through September 2015 were lower by 69 units and the value of permits was \$27.4 million lower than the same time period a year earlier. The decrease is mostly attributable to lower multi-family units compared to a year ago.

Interest rates continue to be attractive and credit availability continues to improve. Due to steady employment growth and improving credit markets, the Council believes construction and housing activity will continue to increase as long as the economy continues to create jobs in 2016 and 2017.

### ***SOUTH DAKOTA FORECAST HIGHLIGHTS***

*IHS Economics' forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.*

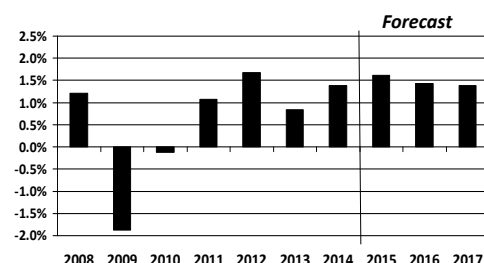
The South Dakota economy has been in a growth phase for nearly six years as increases in employment, income, and overall spending have been growing since early 2010. However, the pace of the recovery has been modest. The agriculture sector has supported overall economic growth directly and indirectly due to strong farm income in recent years. Overall, South

Dakota's economy is expected to continue to grow at a steady pace in 2016 and into 2017.

**EMPLOYMENT:** South Dakota has several advantages over other states which account for its ability to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. These competitive advantages are expected to continue to enhance employment growth in the future. One challenge the state continues to face now and over the long term is the size of a qualified labor force to fill current and future jobs.

Between 1990 and 2000, nonfarm employment in South Dakota grew at an average annual rate of 2.7%, which was significantly higher than the national average annual growth rate of 1.9% over the 10 year period. The majority of additional jobs in South Dakota during this period occurred in the manufacturing, construction, and service sectors. During and after the 2001 national recession, South Dakota nonfarm employment growth slowed to 0.2% in 2001, declined 0.3% in 2002, and then rose 0.2% in 2003. From 2004 through 2007, employment growth averaged 1.8% each year. In 2008, when the U.S. economy was officially in a recession, South Dakota still obtained a 1.2% growth in employment. However, in 2009 and 2010, employment declined 1.9% and 0.1%, respectively, as the national recession caused major job losses in manufacturing, construction, professional and business services, and financial services. The past four years (2011-2014) employment growth has been modest, averaging 1.2% growth. For 2015, the employment levels are expected to grow 1.6% compared to 2014 on an annual basis. In 2016 and 2017, nonfarm employment growth is projected to be 1.4% each year.

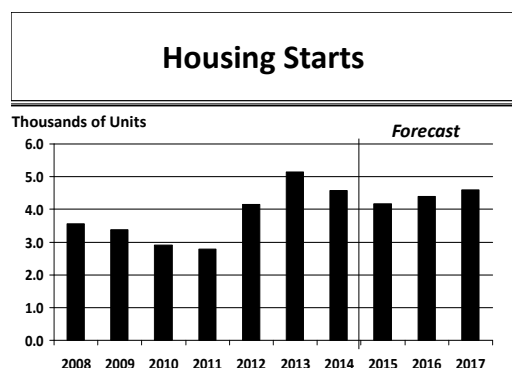
### **Growth in Nonfarm Employment**



**HOUSING/CONSTRUCTION:** Favorable interest rates and changing demographics in the state contributed to

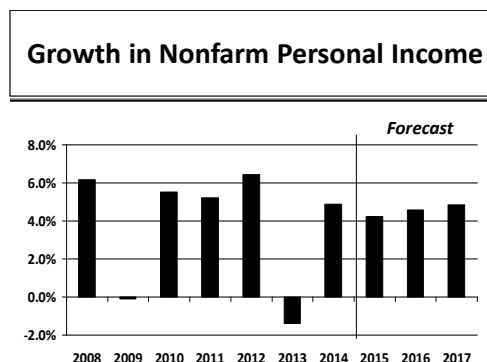
a strong housing sector from 1998 through 2005 with the number of housing starts in South Dakota increasing each year. Then, from 2005 through 2011, the number of housing starts in South Dakota declined each year due to high inventories and reduced housing demand from the recession. In 2012 and 2013, the housing market recovered, realizing gains in housing starts in both years. In 2014 and thus far in 2015, the housing market is slightly lower. However, increases in the contractor's excise tax, an overall indicator of construction activity, have been strong so far this year, suggesting strong activity in non-residential construction.

After some softness in 2015, the housing market is expected to experience steady growth in 2016 and 2017 due to increasing economic activity across the state. Long term interest rates still remain attractive and as job growth continues in 2016 and 2017, housing starts are expected to improve and will approach the levels realized in the early part of this decade. Housing starts were 4,570 in 2014 and are projected to be 4,170 in 2015, 4,440 in 2016, and 4,590 in 2017.



**INCOME:** Between 1990 and 2000, the average annual growth rate in nonfarm personal income in South Dakota grew at an average rate of 6.3%, higher than US growth rate of 5.9% over the same time period. However, after the 2001 recession, income growth slowed both in South Dakota and in the US. Nonfarm personal income in South Dakota grew 5.9% in 2001, 4.1% in 2002, and 4.5% in 2003. From 2004 through 2008, nonfarm income growth rebounded with growth averaging 5.8% per year. The higher growth rates in those years were due to strong employment increases and a growing economy. However, in 2009, the national economic recession caused nonfarm personal income to decline slightly. This was the first annual decrease in nonfarm personal income in South Dakota since 1937. From 2010-2012, the average growth of nonfarm personal income was 5.7% as the economy recovered from the economic recession. In 2013,

nonfarm income decreased 1.4%, reflecting slower job growth and higher federal payroll taxes reinstated in January 2013. Growth rebounded to 4.9% in 2014. In 2015, nonfarm income growth is forecast to increase by 4.2%. In 2016 and 2017, the forecast for growth is to improve to 4.5% and 4.8%, reflecting steady employment and wage growth.



### RISKS TO THE FORECAST

The Council of Economic Advisors sees some key risks to the current forecast. The primary risk to South Dakota's economy would be the national or global economy weakening during 2016. The national economy is growing, but weakness in foreign economies continues to be a threat. Other negative risks include possible financial market shocks or geopolitical events that could lower consumer confidence. A strong US dollar combined with weak foreign economies could adversely impact export activity. Downside risks present in the agriculture economy include weather conditions, concerns of declining real estate values, and low commodity prices.

Positive developments potentially improving the economic outlook in South Dakota include a stronger US economy as well as stronger foreign economic growth. Stronger economic growth from beyond our borders would strengthen exports of goods and services produced within our state and improve the overall economic outlook in South Dakota.

## REVENUE ESTIMATES

### SUMMARY

General fund receipts for FY2016 are forecast at \$1,502.3 million. Ongoing receipts comprise \$1,441.5 million of the total. One-time revenues comprise \$60.8 million of the total, which includes \$21.5 million of obligated cash carried forward from FY2015. The ongoing estimate for FY2016 includes an increase of \$60.1 million from actual FY2015 ongoing receipts. Categories forecasted to show major increases in FY2016 include the sales and use tax (+\$36.1M), unclaimed property (+\$5.0M), contractor's excise tax (+\$4.0M), the insurance company tax (+\$3.8M), and transfers from trust funds (+\$2.4M). Categories forecast for major decreases from FY2015 actual receipts are the bank franchise tax (-\$3.2M) and severance taxes (-\$1.7M). The increases in lottery receipts (+\$102.2M), tobacco taxes (+\$26.3M), the telecommunications tax (+\$6.1M), as well as the decreases in net transfers in (-\$12.2M), and PTRF receipts (-\$112.7M) represent the reclassification among revenue categories due to the repeal of several unnecessary funds.

The revised ongoing estimate for FY2016 is \$8.4 million higher than the ongoing estimate adopted during the 2015 legislative session. Major positive adjustments for the revised FY2016 estimate compared to the adopted FY2016 estimate are for the sales and use tax (+\$3.7M), tobacco taxes (+\$3.4M), contractor's excise tax (+\$3.1M), insurance company tax (+\$2.8M), and lottery (+\$1.1M). The most significant negative revisions compared to the adopted FY2016 estimate are for the bank franchise tax (-\$5.4M) and the severance taxes (-\$2.1M).

General fund receipts for FY2017 are projected to be \$1,492.6 million, all of which are ongoing revenues. No one-time receipts are forecast at this time. The forecast for ongoing receipts in FY2017 is an increase of \$51.1 million from the revised FY2016 projection. The significant sources of growth are from sales and use tax (+\$32.2M), bank franchise tax (\$6.0M), insurance company tax (+\$5.1M), charges for goods and services (+\$4.5M), contractor's excise tax (+\$4.3M), trust fund transfers (+\$2.0M), and licenses, permits, and fees (+\$2.0M). The most significant decrease in FY2017 is unclaimed property receipts (-\$7.4M).

### CURRENT REVENUE FORECAST (Dollars in Millions)

	<u>FY2016</u>	<u>FY2017</u>
Sales and Use Tax	872.6	904.9
Lottery	109.1	111.3
Contractor's Excise Tax	104.1	108.4
Insurance Company Tax	83.8	88.9
Unclaimed Property	58.0	50.5
Tobacco Taxes	56.3	55.9
Property Tax Reduction Fund	N/A	N/A
Other Ongoing Revenues	157.7	172.7
One-Time Receipts	11.8	0.0
Transfer from Budget Reserve Fund	27.4	0.0
Obligated Cash Carried Forward	<u>21.5</u>	<u>0.0</u>
<b>Total Revenue</b>	<b><u>1,502.3</u></b>	<b><u>1,492.6</u></b>

### SALES AND USE TAX

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 60% of ongoing general fund revenue. Between FY1980 and FY2015, the sales and use tax grew from \$140.6 million to \$836.6 million, which was an average annual increase of 5.2%. Over the past ten years, growth rates of the sales tax have varied from year to year. From FY2004 through FY2006, growth in the sales and use tax was strong (6.8%, 5.1%, and 8.0%) due to the strengthening economy. In FY2007, growth was below average (4.6%) due to drought conditions throughout much of the state. In FY2008, growth in the sales and use tax was above average (6.9%) due to increased employment and a strong farm economy. In FY2009 and FY2010, growth was weak (2.3% and -1.2%) due to a severe national recession causing declines in employment. In FY2011, growth was robust (8.9%) due to a strong agriculture sector combined with a recovering nonfarm economy. In FY2012 and FY2013, growth was slightly below average (4.8% and 4.3%), reflecting low inflation and a moderate economic recovery. FY2014 realized a 6.1% growth due to record audit collections and strong agriculture income. In FY2015, the growth was soft (1.6%) due to lower audit collections and lower equipment purchases, especially in the agriculture sector.

Net collections from the sales and use tax in FY2015 were \$836.6 million, which was an increase of \$13.2 million, or 1.6%, compared to FY2014. Through the first four months of FY2016, sales and use tax collections to the general fund were \$313.2 million,

which is an increase of 4.2% from the first four months of FY2015. For the revised FY2016 estimate, the sales and use tax is forecast at \$872.6 million, which is an increase of \$36.1 million, or 4.3%, compared to FY2015. For FY2017, the sales and use tax is forecast at \$904.9 million, which is an increase of \$32.2 million, or 3.7%, over the revised FY2016 estimate.

### **LOTTERY**

Collections from lottery activities account for approximately 7% of ongoing general fund revenues. Due to the repeal of the Property Tax Reduction Fund (PTRF) in FY2016, the state's receipts of video lottery now flow directly into the general fund in this category. In FY2016, lottery collections are anticipated at \$109.1 million, which includes the general fund's share of instant lottery ticket sales of \$5.5 million, the first \$1.4 million of online ticket sales, and \$102.2 million in video lottery receipts. In FY2017, lottery receipts are projected at \$111.3 million, which includes \$5.6 million from instant lottery income, the first \$1.4 million from online lottery income, and \$104.3 million from the state's share of video lottery receipts. Prior to FY2016, the state's share of video lottery was included in the PTRF receipts. In FY2014 and FY2015, video lottery receipts were \$91.6 million and \$98.3 million, respectively. So far in FY2016, video lottery receipts have been strong, growing 4.6% through the first four months compared to the prior year. In FY2016 and FY2017, receipts of \$102.2 million and \$104.3 million, respectively, are expected from the state's share of video lottery.

### **CONTRACTOR'S EXCISE TAX**

Collections from the contractor's excise tax account for approximately 7% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. Expansion in this activity contributed to the increase in contractor's excise tax collections from \$16.2 million in FY1988 to \$100.1 million in FY2015. In FY2015, net collections to the general fund from the contractor's excise tax grew \$9.7 million, or 10.7%, from FY2014. Through the first four months of FY2016, net contractor's excise tax collections were \$40.7 million, an increase of 5.2% compared to the first four months of FY2015. The increase in FY2016 is primarily due to continued increases in construction activity. Contractor's excise

tax collections for FY2016 are forecast to be \$104.1 million, which is an increase of \$4.0 million, or 4.0%, over FY2015 collections. FY2017 collections are forecast at \$108.4 million, which is an increase of \$4.3 million, or 4.1%, compared to the revised FY2016 estimate.

### **INSURANCE COMPANY TAX**

Collections from the insurance company tax account for approximately 6% of ongoing general fund revenues. From FY1985 to FY2015, insurance company tax collections grew from \$17.2 million to \$80.0 million, which was an average annual increase of 5.3%. In FY2015, insurance company tax collections were \$80.0 million, which was an increase of \$4.9 million, or 6.5%, compared to FY2014 collections. During the first four months of FY2016, insurance company tax collections were \$33.1 million, which is an increase of 0.3% over the same period in FY2015. For FY2016, insurance company tax collections are forecast at \$83.8 million, which is an increase of \$3.8 million, or 4.8%, over FY2015 collections. For FY2017, insurance company tax collections are forecast to be \$88.9 million, which is an increase of \$5.1 million, or 6.1%, over the revised FY2016 estimate.

### **UNCLAIMED PROPERTY**

Historically, collections from unclaimed property have been relatively small, but now represent approximately 3% of ongoing general fund revenues. Unclaimed property has been remitted to the state since the 1980's. Recently, collections to the general fund ranged from \$0.4 million in FY1997 to \$8.0 million in FY2010. In FY2011 through FY2013, ongoing collections increased to \$12.9 million, \$13.9 million, and \$13.9 million, respectively, due to mergers within the banking industry. Continued consolidation combined with the migration of home office locations to South Dakota led to an increase in ongoing collections in FY2014 and FY2015 of \$59.8 million and \$52.9 million, respectively. Through early November of FY2016, net unclaimed property collections to the general fund were \$63.9 million. For FY2016, after claim and reciprocity payments are made through the remainder of the year, net ongoing unclaimed property collections are forecast at \$58.0 million. This is an increase of \$5.0 million, or 9.5%, compared to FY2015. For FY2017, ongoing unclaimed property

collections are forecast to be \$50.5 million, a decrease of \$7.4 million, or 12.8% compared to the FY2016 revised estimate.

### ***TOBACCO TAXES***

The 2015 Legislature repealed several unnecessary funds including the Property Tax Reduction Fund, the Health Care Tobacco Tax Fund, and the Education Enhancement Tobacco Tax Fund. Now, the first \$30.0 million collected in tobacco taxes is allocated to the general fund and the next \$5.0 million is allocated to the tobacco prevention and reduction trust fund. Any collections in excess of \$35.0 million are now deposited directly into the general fund in the tobacco tax category. In FY2016 and FY2017, general fund receipts from tobacco taxes are projected at \$56.3 million and \$55.9 million, respectively.

### ***PROPERTY TAX REDUCTION FUND***

In FY2016, legislation was passed to repeal the Property Tax Reduction Fund (PTRF) and direct the ongoing sources of revenue directly to the state general fund. The PTRF has traditionally been the source from which the state has funded property tax relief. In 1996, the Legislature directed receipts from video lottery to be transferred into the PTRF and checks were written from the fund to the counties to fund the first Property Tax Credit Program. Beginning in FY2016, all ongoing revenue that previously flowed through the PTRF is now categorized as follows: the telecommunications tax is included as a separate revenue category, the tobacco portion is included in the tobacco tax category, and the transfer from the wind energy tax fund is included in the “net transfers in” category.

Transfers from the PTRF to the general fund from ongoing revenue sources totaled \$112.7 million in FY2015, which was a 5.8% increase from FY2014. In FY2016 and FY2017 there are no PTRF receipts due to the repeal of the fund.

### ***OTHER ONGOING REVENUES***

Receipts included in this category come from the bank franchise tax; alcohol beverage tax; the alcohol beverage 2% wholesale tax; licenses, permits, and fees; investment income and interest; charges for

goods and services; net transfers in; transfers from the Dakota Cement, Education Enhancement, and Health Care Trust Funds; severance taxes; and the sale-leaseback annuity payments. Beginning in FY2016, this will also include the telecommunications tax (previously included in the Property Tax Reduction Fund receipts). For FY2016, collections from other ongoing revenues are projected to be \$157.7 million, which is approximately 12% of total ongoing general fund revenues. In FY2017, collections from other ongoing revenues are expected to increase compared to FY2016, mainly due to increases in trust fund transfers, bank franchise tax, as well as additional receipts from the Department of Corrections due to a restructuring in budget practices. For FY2017, collections are projected at \$172.7 million.

### ***ONE-TIME RECEIPTS***

In FY2016, collections from one-time receipts are projected to be \$11.8 million. This includes \$5.0 million cash transfer from the Department of Corrections, a \$3.5 million transfer from the Petroleum Release Compensation Fund, and a \$3.4 million transfer from the South Dakota Risk Pool fund. In FY2017, there are no one-time receipts projected at this time.

### ***TRANSFER FROM BUDGET RESERVE FUND***

In FY2016, the Governor is recommending \$27.4 million be transferred from the Budget Reserve Fund to the general fund to help pay off longer term debt at the Board of Regents and Technical Institutes.

### ***OBLIGATED CASH CARRIED FORWARD***

This is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. For FY2016, the total amount of obligated cash carried forward was \$21.5 million. This was obligated to the Budget Reserve Fund from the budget surplus at the end of FY2015.

## **BUDGET RESERVE**

House Bill 1287, passed by the 1991 South Dakota Legislature, created the Budget Reserve Fund. The purpose of its creation was to place resources into a reserve which would only be used to address emergency situations without having to raise taxes or cut spending. In FY1992, \$20.0 million was transferred from the general fund to the Budget Reserve Fund. For each year thereafter, the maximum level of funds in the reserve was set at 5% of the general funds appropriated the prior year in the General Appropriations Act, with the funding coming from any unobligated cash remaining in the general fund at the end of a fiscal year. House Bill 1195, passed by the 2002 South Dakota Legislature, changed the maximum level of funds in the reserve to 10% of the general fund appropriations from the General Appropriations Act for the prior fiscal year.

The use of funds within the reserve requires a 2/3 vote by the South Dakota Legislature. At the end of FY2013, FY2014 and FY2015, unobligated general fund cash in the amounts of \$24.2 million, \$9.9 million, and \$21.5 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred into the reserve at the beginning of FY2014, FY2015, and FY2016, respectively. In FY2016, the Governor recommends a transfer of \$27.4 million from the Budget Reserve Fund to the general fund for emergency special appropriations in FY2016, leaving a projected ending balance of \$99.3 million. The ending cash balance in the Budget Reserve Fund for FY2017 does not assume that surplus funds will be available. If there is a surplus in FY2016, the ending balance in the Budget Reserve Fund will be adjusted accordingly.

### **BUDGET RESERVE FUND CONDITION STATEMENT**

	<b>ACTUAL FY2014</b>	<b>ACTUAL FY2015</b>	<b>ESTIMATED FY2016</b>	<b>ESTIMATED FY2017</b>
Beginning Balance	\$ 71,093,284	\$ 95,325,807	\$ 105,202,156	\$ 99,310,660
Calculations for Maximum Balance in the Fund:				
General Bill Appropriation for Prior Year	\$ 1,232,361,618	\$ 1,293,068,278	\$ 1,372,395,933	\$ 1,421,581,476
Budget Reserve Fund Percentage	10%	10%	10%	10%
Maximum Amount in the Fund	<u>\$ 123,236,162</u>	<u>\$ 129,306,828</u>	<u>\$ 137,239,593</u>	<u>\$ 142,158,148</u>
Maximum Transferable Amount	<u>\$ 52,142,878</u>	<u>\$ 33,981,021</u>	<u>\$ 32,037,437</u>	<u>\$ 42,847,488</u>
Amount of General Funds Available End of Prior Year	\$ 24,232,522	\$ 9,876,349	\$ 21,535,148	\$ 0
Transferred in from General Fund	<u>\$ 24,232,522</u>	<u>\$ 9,876,349</u>	<u>\$ 21,535,148</u>	<u>\$ 0</u>
Transferred out to General Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (27,426,643)</u>	<u>\$ 0</u>
<b>Ending Balance</b>	<b><u>\$ 95,325,807</u></b>	<b><u>\$ 105,202,156</u></b>	<b><u>\$ 99,310,660</u></b>	<b><u>\$ 99,310,660</u></b>

**NOTE:** The totals may not add due to rounding.

**COMPARISON BETWEEN LEGISLATIVE ADOPTED AND  
REVISED ESTIMATE FOR FY2016**

	<b>LEG. ADOPTED FY2016</b>	<b>REVISED FY2016</b>	<b>DOLLAR CHANGE</b>	<b>PERCENT CHANGE</b>
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 868,924,519	\$ 872,644,580	\$ 3,720,061	0.43
Lottery	108,027,292	109,131,373	1,104,081	1.02
Contractor's Excise Tax	101,006,979	104,126,810	3,119,831	3.09
Insurance Company Tax	81,039,460	83,809,944	2,770,484	3.42
Unclaimed Property Receipts	56,967,831	57,957,560	989,729	1.74
Licenses, Permits, and Fees	56,130,029	56,607,933	477,904	0.85
Tobacco Taxes	52,917,047	56,318,587	3,401,540	6.43
Trust Funds	33,224,941	33,154,685	(70,256)	(0.21)
Net Transfers In	17,242,935	18,234,081	991,146	5.75
Alcohol Beverage Tax	11,425,588	11,142,062	(283,526)	(2.48)
Bank Franchise Tax	10,858,137	5,418,516	(5,439,621)	(50.10)
Charges for Goods and Services	11,105,706	11,161,982	56,276	0.51
Telecommunications Tax	6,939,019	6,113,840	(825,179)	(11.89)
Severance Taxes	5,867,763	3,720,123	(2,147,640)	(36.60)
Sale-Leaseback	4,663,938	4,663,938	0	0.00
Investment Income and Interest	4,868,382	5,331,243	462,861	9.51
Alcohol Beverage 2% Wholesale Tax	1,907,519	1,963,767	56,248	2.95
Property Tax Reduction Fund	N/A	N/A	0	0.00
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$1,433,117,085</b>	<b>\$1,441,501,024</b>	<b>\$ 8,383,939</b>	<b>0.59</b>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Department of Corrections	\$ 0	\$ 4,957,509	\$ 4,957,509	100.00
Transfer from Petroleum Release Fund	0	3,500,000	3,500,000	100.00
Transfer from South Dakota Risk Pool	0	3,375,000	3,375,000	100.00
Transfer from Budget Reserve Fund	0	27,426,643	27,426,643	100.00
Obligated Cash Carried Forward	0	21,535,148	21,535,148	100.00
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 0</b>	<b>\$ 60,794,300</b>	<b>\$ 60,794,300</b>	<b>100.00</b>
<b>GRAND TOTAL</b>	<b>\$1,433,117,085</b>	<b>\$1,502,295,324</b>	<b>\$ 69,178,239</b>	<b>4.83</b>

**NOTE:** The totals may not add due to rounding.



## COMPARISON BETWEEN FY2015 AND REVISED FY2016 REVENUE COLLECTIONS

	ACTUAL FY2015	REVISED FY2016	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 836,587,108	\$ 872,644,580	\$ 36,057,472	4.31
Lottery	6,952,306	109,131,373	102,179,067	1469.71
Contractor's Excise Tax	100,116,439	104,126,810	4,010,371	4.01
Insurance Company Tax	79,976,685	83,809,944	3,833,259	4.79
Unclaimed Property Receipts	52,914,188	57,957,560	5,043,372	9.53
Licenses, Permits, and Fees	56,457,033	56,607,933	150,900	0.27
Tobacco Taxes	30,000,000	56,318,587	26,318,587	87.73
Trust Funds	30,826,330	33,154,685	2,328,355	7.55
Net Transfers In	30,394,471	18,234,081	(12,160,390)	(40.01)
Alcohol Beverage Tax	10,772,363	11,142,062	369,699	3.43
Bank Franchise Tax	8,583,099	5,418,516	(3,164,583)	(36.87)
Charges for Goods and Services	11,754,275	11,161,982	(592,293)	(5.04)
Telecommunications Tax	0	6,113,840	6,113,840	100.00
Severance Taxes	5,396,624	3,720,123	(1,676,501)	(31.07)
Sale-Leaseback	5,236,813	4,663,938	(572,875)	(10.94)
Investment Income and Interest	864,665	5,331,243	4,466,578	516.57
Alcohol Beverage 2% Wholesale Tax	1,861,746	1,963,767	102,021	5.48
Property Tax Reduction Fund	112,690,797	N/A	(112,690,797)	(100.00)
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$1,381,384,943</b>	<b>\$1,441,501,024</b>	<b>\$ 60,116,081</b>	<b>4.35</b>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Department of Corrections	\$ 0	\$ 4,957,509	\$ 4,957,509	100.00
Transfer from Petroleum Release Fund	0	3,500,000	3,500,000	100.00
Transfer from South Dakota Risk Pool	1,420,000	3,375,000	1,955,000	137.68
Refinancing Gains/Transfer from SDBA	5,567,283	0	(5,567,283)	(100.00)
Prior Period Adjustments	1,954,866	0	(1,954,866)	(100.00)
Transfer from Large Project Liability Acct.	1,299,428	0	(1,299,428)	(100.00)
Unexpended Carryovers and Specials	16,286,079	0	(16,286,079)	(100.00)
Transfer from Budget Reserve Fund	0	27,426,643	27,426,643	100.00
Obligated Cash Carried Forward	9,876,349	21,535,148	11,658,799	118.05
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 36,404,005</b>	<b>\$ 60,794,300</b>	<b>\$ 24,390,294</b>	<b>67.00</b>
<b>GRAND TOTAL</b>	<b>\$1,417,788,948</b>	<b>\$1,502,295,324</b>	<b>\$ 84,506,376</b>	<b>5.96</b>

**NOTE:** The totals may not add due to rounding.

## COMPARISON BETWEEN REVISED FY2016 AND FY2017 REVENUE COLLECTIONS

	REVISED FY2016	PROJECTED FY2017	DOLLAR CHANGE	PERCENT CHANGE
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 872,644,580	\$ 904,858,369	\$ 32,213,789	3.69
Lottery	109,131,373	111,325,514	2,194,141	2.01
Contractor's Excise Tax	104,126,810	108,420,550	4,293,740	4.12
Insurance Company Tax	83,809,944	88,901,320	5,091,376	6.07
Unclaimed Property Receipts	57,957,560	50,515,127	(7,442,433)	(12.84)
Licenses, Permits, and Fees	56,607,933	58,560,191	1,952,258	3.45
Tobacco Taxes	56,318,587	55,866,280	(452,307)	(0.80)
Trust Funds	33,154,685	35,191,788	2,037,103	6.14
Net Transfers In	18,234,081	18,983,762	749,681	4.11
Alcohol Beverage Tax	11,142,062	11,419,878	277,816	2.49
Bank Franchise Tax	5,418,516	11,424,177	6,005,661	110.84
Charges for Goods and Services	11,161,982	15,690,151	4,528,169	40.57
Telecommunications Tax	6,113,840	6,113,840	0	0.00
Severance Taxes	3,720,123	4,103,238	383,115	10.30
Sale-Leaseback	4,663,938	4,138,575	(525,363)	(11.26)
Investment Income and Interest	5,331,243	4,964,022	(367,221)	(6.89)
Alcohol Beverage 2% Wholesale Tax	1,963,767	2,101,649	137,882	7.02
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$1,441,501,024</b>	<b>\$1,492,578,431</b>	<b>\$ 51,077,407</b>	<b>3.54</b>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Department of Corrections	\$ 4,957,509	\$ 0	(4,957,509)	(100.00)
Transfer from Petroleum Release Fund	3,500,000	0	(3,500,000)	(100.00)
Transfer from South Dakota Risk Pool	3,375,000	0	(3,375,000)	(100.00)
Transfer from Reserves	27,426,643	0	(27,426,643)	(100.00)
Transfer from Budget Reserve Fund	21,535,148	0	(21,535,148)	(100.00)
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 60,794,300</b>	<b>\$ 0</b>	<b>\$ (60,794,300)</b>	<b>(100.00)</b>
<b>GRAND TOTAL</b>	<b>\$1,502,295,324</b>	<b>\$1,492,578,431</b>	<b>\$ (9,716,893)</b>	<b>(0.65)</b>

**NOTE:** The totals may not add due to rounding.

## GENERAL FUND RECEIPTS

	ACTUAL FY2014	ACTUAL FY2015	REVISED FY2016	PROJECTED FY2017
<b>ONGOING RECEIPTS</b>				
Sales and Use Tax	\$ 823,401,593	\$ 836,587,108	\$ 872,644,580	\$ 904,858,369
Lottery	6,296,600	6,952,306	109,131,373	111,325,514
Contractor's Excise Tax	90,409,495	100,116,439	104,126,810	108,420,550
Insurance Company Tax	75,110,734	79,976,685	83,809,944	88,901,320
Unclaimed Property Receipts	59,761,191	52,914,188	57,957,560	50,515,127
Licenses, Permits, and Fees	52,203,471	56,457,033	56,607,933	58,560,191
Tobacco Taxes	30,000,000	30,000,000	56,318,587	55,866,280
Trust Funds	28,436,564	30,826,330	33,154,685	35,191,788
Net Transfers In	32,133,057	30,394,471	18,234,081	18,983,762
Alcohol Beverage Tax	10,790,053	10,772,363	11,142,062	11,419,878
Bank Franchise Tax	10,782,035	8,583,099	5,418,516	11,424,177
Charges for Goods and Services	10,461,221	11,754,275	11,161,982	15,690,151
Telecommunications Tax	0	0	6,113,840	6,113,840
Severance Taxes	5,424,019	5,396,624	3,720,123	4,103,238
Sale-Leaseback	5,838,681	5,236,813	4,663,938	4,138,575
Investment Income and Interest	4,528,811	864,665	5,331,243	4,964,022
Alcohol Beverage 2% Wholesale Tax	1,690,523	1,861,746	1,963,767	2,101,649
Property Tax Reduction Fund	106,529,196	112,690,797	N/A	N/A
<b>SUBTOTAL (ONGOING RECEIPTS)</b>	<b>\$ 1,353,797,245</b>	<b>\$ 1,381,384,943</b>	<b>\$ 1,441,501,024</b>	<b>\$ 1,492,578,431</b>
<b>ONE-TIME RECEIPTS</b>				
Transfer from Department of Corrections	\$ 0	\$ 0	\$ 4,957,509	\$ 0
Transfer from Petroleum Release Fund	0	0	3,500,000	0
Transfer from South Dakota Risk Pool	0	1,420,000	3,375,000	0
Refinancing Gains/Transfer from SDBA	0	5,567,283	0	0
Prior Period Adjustments	0	1,954,866	0	0
Transfer from Large Project Liability Acct.	19,424,586	1,299,428	0	0
One-time Unclaimed Property Receipts	54,013,610	0	0	0
Unexpended Carryovers and Specials	4,152,194	16,286,079	0	0
Transfer from Property Tax Reserves	19,626,221	0	0	0
Transfer from Budget Reserve Fund	0	0	27,426,643	0
Obligated Cash Carried Forward	25,216,171	9,876,349	21,535,148	0
<b>SUBTOTAL (ONE-TIME RECEIPTS)</b>	<b>\$ 122,432,782</b>	<b>\$ 36,404,005</b>	<b>\$ 60,794,300</b>	<b>\$ 0</b>
<b>GRAND TOTAL</b>	<b>\$ 1,476,230,027</b>	<b>\$ 1,417,788,948</b>	<b>\$ 1,502,295,324</b>	<b>\$ 1,492,578,431</b>

**NOTE:** The totals may not add due to rounding.

# TAX EXPENDITURES

**Annual Est. General  
Fund Revenue Loss**

## Sales and Use Tax Exemptions

### **Agriculture Group**

10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses.	\$160,075,000
10-45-18.3: Feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals defined in chapter 40-35, if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and horses and other animals with the family equidae. Poultry does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption.	\$51,285,320
10-45-16: Commercial fertilizer, either liquid or solid, when sold in quantities of five hundred pounds or more in a single sale to be used exclusively for agricultural purposes.	\$39,566,160
10-45-15: Seed legumes, seed grasses, and seed grains sold in quantities of 25 pounds or more in a single sale to be used exclusively for agricultural purposes.	\$31,602,520
10-45-3.4: (1) Parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm machinery or irrigation equipment part assigned a specific or generic part number by the manufacturer of the farm machinery or irrigation equipment; and (2) Maintenance items and maintenance services used on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment.	\$19,877,440
10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasitides and ectoparasitides)	\$19,405,800
10-45-19, 10-46-17: Motor fuel, including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels, and distillate, when used for agricultural purposes. Agricultural purposes includes hay grinding but does not include the lighting or heating of any farm residence.	\$17,918,240
10-45-12.1: Farm Product Warehousing & Storage	\$8,200,000
10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services.	\$7,365,000
10-45-93: Sale of agricultural and industrial production equipment in international commerce where physical delivery of the goods takes place in South Dakota if the property is to be shipped to a point outside the United States not to be returned to a point within the United States. (also 10-46E)	\$325,000
10-45-12.1: Forestry Services	\$142,680
10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes.	\$195,000
10-45-16.2, 10-45-16.3: Rental of devices primarily used to apply fertilizers, pesticides, herbicides, and insecticides for agricultural purposes if sales or use tax was paid on the original purchase of the device.	\$2,009,440
10-45-18.4, 10-46-16.4: Live nondomestic animal regulated by the animal industry board pursuant to 40-3-26 if the animal is to be used by a farmer or rancher who is regularly engaged in the breeding and raising of such animals.	\$26,000
10-45-19.1, 10-46-17.2: Electricity used to power irrigation pumps and horsepower charge on electric motors powering irrigation pumps when the purchase is exclusively for agricultural purposes.	\$3,045,980
10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4	\$5,000

# TAX EXPENDITURES

## Sales and Use Tax Exemptions

**Annual Est. General  
Fund Revenue Loss**

### Healthcare Group

10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity.	\$124,034,960
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### Government

10-45-10: Purchases by the Federal Government, State Government, Public or Municipal Corporations, and Indian tribes. Estimate includes purchases by Educational Institutions and 10-45-14: purchases by Religious or Private Educational Institutions.	\$165,676,000
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### Business Group

10-45-7: Lodging or campsites provided to any person for 28 or more consecutive days. Occasional rental of sleeping accommodations or camp sites, which is 10 or less days/year.	\$31,326,167
10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation.	N/A
10-45-20.6, 10-46-9.6: Replacement parts sold to retailers that will be installed in tangible personal property that will ultimately be for resale.	N/A
10-45-12.1: Exempts advertising services, which is the preparing and placement of ads. Exempts charges by media for placement of an ad in that media.	\$19,236,816
10-45-68, 10-46-56: Sale of credit card processing services to retailers.	\$2,162,840
10-45-12.1: Water Supply	\$6,080,900
10-45-9.1: Personal Property sold for lease.	\$20,956,160
10-45-13.1: Membership fees to membership organizations and services provided by membership organizations.	\$7,141,160
10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax.	\$860,589
10-45-20.1: Payments made by one member of a controlled group to another member of a controlled group which represent an allocation, reimbursement, or charge for services provided by or rendered by the members of the controlled group. The exemption provided in this section does not apply to the lease of tangible personal property unless the sales or use tax has been paid on the property by the lessor. (estimate also includes 10-45-20.2)	N/A
10-45-29.1 Allows deduction from gross receipts charges to clients for tangible personal property or services purchased by the attorney or accountant on behalf of a client, provided the purchase was not a resale purchase.	N/A
10-45-12.5, 10-46-9.5: Fees or commissions received for rendering a service which provides for the sale of tangible personal property or services. 10-45-84, 10-45-90 Fees or commissions received by a retailer for arranging a loan for a customer to pay for property sold by that retailer.	N/A
10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures.	\$552,919
10-45-5.2: Research, development, and testing services (SIC 8733)	\$5,915,840

# TAX EXPENDITURES

**Annual Est. General  
Fund Revenue Loss**

## Sales and Use Tax Exemptions

### **Business Group (Continued)**

10-45-7.1, 10-46-68: Membership fees paid to a lodging house or hotel membership organization operated for the benefit of its members.	N/A
10-45-96: Deduction allowed for actual disbursements, including appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, insurance premiums, welfare benefits, retirement benefits, and other employee benefits of its co-employees.	\$328,410
10-45-5.2: Radio & Television Broadcasting	N/A
10-45-5: Leases of tangible personal property between one telephone company and another telephone company.	N/A
10-45-5.2: Goods or services with money advanced as an accommodation are retail purchases and are not included in gross receipts for funeral services, and fees paid or donated for religious ceremonies are not included in gross receipts for funeral services.	N/A
10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services.	N/A
10-45-92: Deduction allowed from auction's gross receipts for expenses for tangible personal property or services purchased by the auctioneer for that client, provided the purchase was not a resale purchase.	N/A
10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides.	N/A
10-45-94: Postage by a mailing service provided the cost of postage is itemized on the customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service.	N/A
10-45-12.4: Services provided to a rural water system by a wholly owned cooperative or nonprofit corporation.	Included in water estimate
10-45-110: Exempts coins, currency, or bullion.	N/A
10-45-12.7: Any person officiating an amateur sporting event. However, this exemption does not apply to any person officiating any sporting event sponsored and operated by any elementary, secondary, or postsecondary school.	\$33,642
10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns.	\$861,560
10-45-18.1, 10-46-16.1: Live gamebirds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds.	\$493,080
10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies.	\$56,202

### **Educational Services**

10-45-12.1: Educational Services - Exempt schools: Continuing education programs, tutoring, and vocational counseling not including Rehabilitation counseling (See Social Services exemption for Rehabilitation counseling).	\$4,980,851
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# TAX EXPENDITURES

**Annual Est. General  
Fund Revenue Loss**

## Sales and Use Tax Exemptions

### **Financial Group**

10-45-12.1: Commissions earned or service fees paid by an insurance company to an agent or representative for the sale of a policy. 10-44-8 Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$3,515,600
10-44-8: Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax.	\$104,144,001
10-45-20.5, 10-46-2.1: Services by a related corporation to a financial institution or services by a financial institution to a related corporation if they are part of a controlled group of corporations.	N/A
10-45-12.1: Commodity Contracts Brokers & Dealers; 10-45-12.1: Brokers, Dealers, and Flotation Companies; 10-46-9.2: Brokers licensed under Title 47.	\$7,255,120
10-43-5: Bank franchise tax is paid in lieu of other taxes, except sales or use tax on tangible personal property. Financial institutions do not owe use tax on services, if the service provider does not collect the applicable sales tax.	N/A
10-45-12.1: Financial services of institutions subject to the tax under Chapter 10-43 (Bank Franchise) including loan origination fees, late payment charges, nonsufficient fund check charges, stop payment charges, safe deposit box rent, exchange charges, commission on travelers checks, charges for administration of trusts, interest charges, and "points" charged on loans.	\$68,867,497
10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes.	N/A
10-45-13.5: Exempts receipts received by the state and political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity.	N/A

### **Transportation Group**

10-45-12.1: Railroad Transportation & Rental of Railroad Cars.	\$8,010,000
10-45-12.1: Arrangement of Passenger Transportation; Arrangement of Transportation of Freight & Cargo; Local and Suburban Passenger Transportation, except Limousine Services; Trucking and Courier services, except air, except collection and disposal of solid waste; Pipelines, except Natural Gas; Transportation on rivers and canals; and school buses. 10-45-67, 10-46-55: Natural gas transportation by pipeline.	\$12,609,440

### **Social Services**

10-45.12.1: Social services and credit counseling services provided by individual and family social services.	\$4,226,000
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### **Manufacturing Group**

10-46-5: Excludes the fabrication costs from the fair market value of tangible personal property fabricated by a contractor or subcontractor for use in the contract. The fair market value is subject to use tax.	N/A
10-46-3: Tangible personal property not originally purchased for use in this state, but thereafter used, stored, or consumed in this state if the equipment is more than seven years old at the time it is brought into this state.	N/A
10-45-14.4, 10-46-9.3: Packing material used or consumed by manufacturers, processors, or fabricators as raw material. 10-45-14.5, 10-46-9.4 Packing material sold to retailers if the retailer used the article as wrappers or containers to hold other tangible personal property sold by the retail that is subject to sales or use tax and the articles are supplied free by the retailer as a convenience to the customer.	N/A

## **TAX EXPENDITURES**

**Annual Est. General  
Fund Revenue Loss**

### **Sales and Use Tax Exemptions**

#### **Civic & Nonprofit Association Events/Admissions/Donations**

10-45-13: Exempts tax on the gross receipts of various sales and admission for civic and nonprofit associations and purposes.	N/A
10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax.	N/A

#### **Federal Law Prohibition/Subject to Tax/Fees in other Laws**

10-45-14.7, 10-46-15.2: Authorized purchases made with food stamps. 10-45-14.8, 10-46-15.3: Authorized purchases of food under section 17 c of the Child Nutrition Act of 1966.	\$5,957,441
10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts.	\$48,534
10-45-13.3: Sale of lottery tickets.	\$2,163,929
10-45-2.1, 10-46-5.1: Mobile homes and manufactured homes are subject to the 4% initial registration tax in lieu of sales, use, and contractor's excise tax.	\$1,788,440

#### **Other Miscellaneous Sales Tax Exemptions**

Mini-storage receipts are not specifically subject to tax and therefore are exempt.	\$674,431
10-45-13.4: Library copying charges.	N/A

<b>Total Sales and Use Tax Exemptions</b>	<b>\$971,003,109</b>
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### **Other Tax Expenditures**

10-44-4: Tax credit for principal office or regional home office for insurance companies.	\$13,556,094
10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of \$70 per month.	\$4,500,000
10-50-18: Distributor discount of 1% of cigarette stamp face value.	\$553,810

<b>Total Other Tax Expenditures</b>	<b>\$18,609,904</b>
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<b>Grand Total Tax Expenditures</b>	<b>\$989,613,013</b>
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Sources: Department of Revenue - Summary of Sales Tax Exemptions (July 2015) and Department of Labor and Regulation.



## RECOMMENDED EXPENDITURES

### OVERVIEW

Governor Daugaard's FY2017 budget recommendation maintains a structurally balanced budget while making targeted investments in the areas of providing a quality education for our children, taking care of those who cannot take care of themselves, and protecting us from those who would do us harm. The Governor is also proposing that the state continue to invest in the state employee workforce, which is any organization's greatest resource.

The Governor recommends a 0.3% inflationary increase to the per student allocation for state aid to general education. This increases the ongoing per student allocation to \$4,891.39 for general education. The Governor is recommending a 2.7% inflationary increase for postsecondary technical institutes, which brings the per student allocation to \$3,487.39. In addition, the Governor recommends a tri-annual rebase for state aid to special education, additional dual credit courses, and tuition freeze for the postsecondary technical institutes.

The ongoing budget for the Board of Regents contains an increase of \$5.1 million in general funds. The Governor is proposing to fund the state-support resident tuition portion of the employee compensation package in order to freeze tuition for FY2017, at a total cost of \$3.2 million. As a result of the Governor's recommendation to use one-time money to pay off higher interest Board of Regents bonds, the funding previously used to make the lease payments would be repurposed to fund the tuition freeze. Increases of \$3.3 million are for the fourth year of a four year plan to reach an M&R budget which is 2% of the replacement value of the buildings. Increases of \$0.6 million in general funds is due to rolling the University Support Fee into Tuition, which will leverage additional federal tuition assistance, provide savings to military members, as well as simplifies the reimbursement process that was previously conducted by both the Department of Military and the Board of Regents.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs which help those who cannot take care of themselves, including the very young and the very old. The Departments of Health, Human Services, and Social Services account for \$11.6 million of the \$59.3 million in ongoing general fund increases. This portion of the total

budget comprises of \$409.8 million of the \$496.2 million in ongoing total fund increases for FY2017.

Social Services will see ongoing increases of \$10.8 million in general funds, \$0.2 million in other fund expenditure authority and \$399.2 million in federal fund expenditure authority. This includes a decrease of \$17.5 million in general funds with a corresponding increase in federal fund expenditure authority due to the Federal Medical Assistance Percentage (FMAP) rate change. Increases of \$10.7 million in general funds, \$9.4 million in federal fund expenditure authority, and \$0.1 million in other fund expenditure authority are for a 2.7% provider inflation increase. Increases of \$6.8 million in general funds and \$7.3 million in federal fund expenditure authority are due to a projected increase in the number of Medicaid clients. An increase of \$1.3 million in general funds and \$1.2 million in federal fund expenditure authority is for provider rate adjustments. An increase of \$373.6 million in federal fund expenditure authority and 55.0 FTE is due to the anticipated expansion of Medicaid.

The Human Services ongoing budget is decreasing by \$0.1 million in general funds, increasing by \$4.8 million in federal fund expenditure authority, and decreasing by \$6.0 million in other fund expenditure authority. A decrease of \$3.6 million in general funds with a corresponding increase in federal fund expenditure authority is due to the FMAP rate change. Increases of \$1.6 million in general funds, \$2.1 million in federal fund expenditure authority, and \$0.2 million in other fund expenditure authority are for a 2.7% provider inflation increase. Also included in the budget are increases of \$1.7 million in general funds and \$2.0 million in federal fund expenditure authority for additional clients served, as well as decreases of \$3.5 million in federal fund expenditure authority and \$5.7 million in other fund expenditure authority to eliminate excess authority.

The ongoing budget for the Department of Health includes increases of \$0.9 million in general funds and \$176.0 million in other fund expenditure authority; and a decrease of \$1.9 million in federal fund expenditure authority. This includes increases of \$0.2 million in general funds and 2.0 FTE to meet survey requirements of Assisted Living Centers. An increase of \$0.8 million in general funds is to aid rural communities in healthcare workforce recruitment. An increase of \$1.3 million in other fund expenditure authority is due to costs

associated inflationary increases and treatment of the Hepatitis C disease.

To address the safety of our State's citizens, a progressive criminal justice system is in place. The ongoing budget for the Department of Corrections increased by \$3.7 million in general funds, and decreased by \$2.4 million in federal fund expenditure authority, \$9.2 million in other fund expenditure authority and 57.2 FTE. The primary increases throughout the department include: \$1.6 million in general funds for Correctional Healthcare, \$0.3 million is specifically for the treatment of Hepatitis C; \$1.0 million in general funds for Correctional Officer pay and maintenance at the South Dakota State Penitentiary; \$5.5 million in general funds for department wide funding changes due to decreased cash sources; and \$0.5 million in general funds for costs related to the South Dakota Public Safety Improvement Act and the Juvenile Justice Reinvestment Initiative. Also included is a decrease of \$5.6 million in general funds due to a lower projected average daily population for juveniles.

The Department of Public Safety and the Office of the Attorney General are also engaged in providing for the safety of the public. The Department of Public Safety's ongoing budget includes an increase of \$0.1 million in general funds, a decrease of \$5.5 million in federal fund expenditure authority, and a decrease of \$2.0 million in other fund expenditure authority. The Office of the Attorney General's ongoing general fund budget is increasing by \$0.3 million, primarily due to the Governor's plan to use general funds to correct the structural deficit within the Department of Criminal Investigation.

The safety of South Dakota's citizens is also addressed within the ongoing budget for the Unified Judicial System, which is being increased by \$1.2 million in general funds. This includes increases of \$1.0 million in general funds and 3.0 FTE for the Drug/DUI Courts. Also included are increases of \$0.2 million in general funds and 1.0 FTE for a Court Services Officer in Pennington County, as well as a Court Reporter in both Minnehaha and Pennington Counties.

The Governor is recommending a 2.7% pay increase for all permanent state employees not in career bands, and market adjustments based on actual market movement of the job family for employees in the following career bands:

Accountants/Auditors	0.0%
Information Technology	0.0%
Nurses	1.0%
Environmental Scientists	2.5%
Engineers	2.7%

The Governor is also recommending the continuation of the performance-based increases towards market value of 0.0% to 4.5% for the career band families established in FY2010.

<u>Description</u>	<u>Inc./Dec.</u>	<u>FTE</u>
Executive Branch	\$26,143,372	(46.7)
Board of Regents	5,104,509	(22.0)
State Aid	12,930,044	
UJS/Legislature/Elected	1,308,685	5.3
Technical Institutes	1,717,837	
Employee Comp.	12,099,592	
Total	<u>\$59,304,039</u>	<u>(63.4)</u>

Executive Branch agencies, under direct control of the Governor, have the following funding changes for FY2017, excluding the employee compensation package:

General Funds	\$	26,143,372
Federal Funds	\$	381,018,200
Other Funds	\$	53,421,460
FTE		(46.7)

## SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS

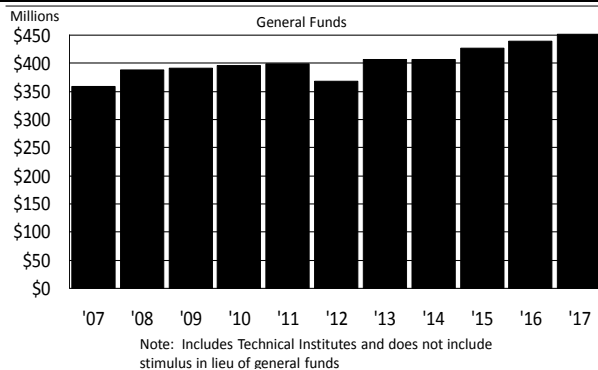
### STATE AID, TECHNICAL INSTITUTES, HIGHER EDUCATION, AND EDUCATION

The budgets included in this category are State Aid to K-12 Education and Technical Institutes, Higher Education, and the Department of Education. General funds in this budget account for a \$21.8 million increase out of the \$59.3 million in ongoing increases. This budget comprises of a decrease of \$9.4 million of the \$496.2 million in ongoing total fund increases for FY2017. In terms of the total ongoing budget, the education category is 45.3% of the general funds and 30.4% of the total ongoing funds, which amounts to \$1.5 billion in total ongoing funding for education.

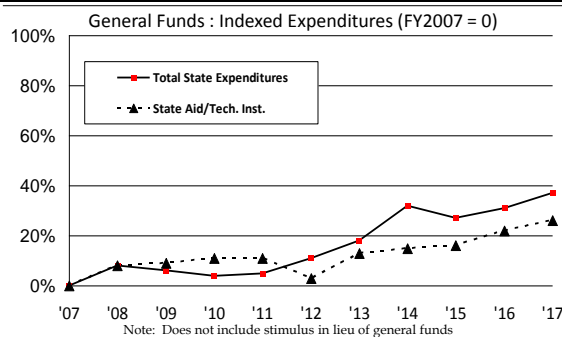
### STATE AID TO K-12 EDUCATION AND TECHNICAL INSTITUTES

This category includes State Aid to K-12 General Education, Special Education, Technical Institutes, sparse school district funding, and Technology in the Schools.

#### State Aid to Schools



#### State Aid to Schools



### STATE AID TO K-12 EDUCATION

The Governor's recommendation for State Aid to K-12 Education reflects an increase of \$12,930,044 in general funds. The total recommended budget for FY2017 is \$426,808,380 in general funds and \$2,279,803 in other fund expenditure authority.

The Governor is recommending a 0.3% inflationary increase to the base per student allocation for FY2017. This brings the per student allocation for general education to \$4,891.39 for FY2017. An estimated FY2017 fall enrollment of 133,850 was used for calculating the FY2017 budget, which is a growth of 1,300 over the budgeted FY2016 level.

The Governor is recommending an increase of \$48,889 in general funds for payments to sparse school districts. An estimated 28 schools will be eligible for sparse payments in FY2017. Also recommended is an increase of \$56,120 in general funds for the Technology in Schools budget, which is used to support ongoing costs of the technology infrastructure and systems for the school districts.

The FY2017 recommendation for State Aid to K-12 Education also includes a funding shift of \$1,642,702 from other fund expenditure authority to general funds, as the Limited English Proficiency adjustment will no longer be funded through the Workforce Education Fund.

The funding for each disability level for State Aid to Special Education is recommended to be rebased in accordance with state law, which is required every three years. The total recommended amount for State Aid to Special Education is \$63,646,856 in general funds for FY2017. This represents an increase \$8,763,479 in state general funds over the FY2016 budget.

### STATE AID TO TECHNICAL INSTITUTES

The Governor's recommendation for State Aid to Technical Institutes reflects an increase of \$1,717,837 in general funds and a decrease of \$100,000 in other fund expenditure authority. The total recommended budget for FY2017 is \$24,908,796 in general funds.

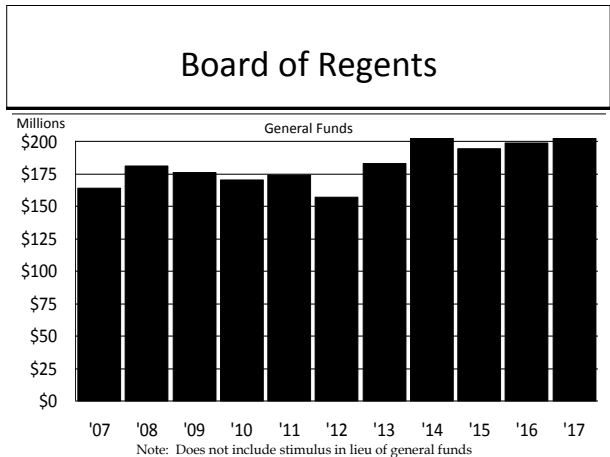
An increase of \$1,026,956 in general funds is based on a per student funding level of \$3,487.39 for FY2017, which is a 2.7% increase from FY2016. The estimated number of students for the FY2017 budget is an increase of 143 for a total of 5,905. The Governor recommends an increase of \$161,088 in general funds in the funding

formula to allow the Technical Institutes to pay for half the tuition for members of the National Guard, which was previously paid by the Department of Military.

The FY2017 recommendation includes an increase of \$529,793 in general funds for a tuition freeze. As a result of the Governor’s recommendation to use one-time money to pay off higher interest Technical Institute debt, the funding previously used to make the lease payments would be repurposed to fund the tuition freeze.

**BOARD OF REGENTS**

The budget for the Board of Regents provides funding for the six state universities (Black Hills State University, Dakota State University, Northern State University, South Dakota School of Mines and Technology, South Dakota State University, and the University of South Dakota). Within the university budgets is funding for the University Center Sioux Falls, the Black Hills State University-Rapid City, and Capital University Center Pierre. The state’s two special schools, the South Dakota School for the Deaf and the South Dakota School for the Blind and Visually Impaired, are also included in the Regental system.



The budget for the Board of Regents contains a net decrease of \$19,995,491 in total funds and a decrease of 22.0 FTE over the FY2016 budget. The changes consist of an increase of \$5,104,509 in general funds and decreases of \$20,350,000 in federal fund expenditure authority, \$4,750,000 in other fund expenditure authority, and 22.0 FTE. The total FY2017 recommended budget for the Board of Regents consists of \$206,487,775 in general funds, \$134,476,147 in federal fund expenditure authority, and \$464,474,215 in other fund expenditure authority, for a total FY2017 budget of \$805,438,137 and 5,140.4 FTE.

The Governor is proposing to fund the state-support resident tuition portion of the employee compensation package in order to freeze tuition and fees for state-support resident tuition for FY2017, for a cost of \$3,228,711. As a result of the Governor’s recommendation to use one-time money to pay off higher interest Board of Regents debt, the funding previously used to make the lease payments would be repurposed to fund the tuition freeze.

The Governor is also recommending \$3,274,464 in general funds for the fourth year of a four year plan to reach an M&R budget which is 2% of the replacement value of the buildings.

The Governor’s recommended budget includes \$620,152 in general funds due to rolling the University Support Fee into Tuition. This will leverage additional federal tuition assistance, provide savings to military members, as well as simplify the reimbursement process that was previously conducted by both the Department of Military and the Board of Regents.

The Governor is also recommending increases of \$210,725 in general funds and 1.0 FTE to establish the Center for the Prevention of Child Maltreatment. An increase of \$434,369 in general funds is recommended to support the South Dakota Opportunity Scholarship awards, which include funding the second class of students at \$6,500. Also, decreases of \$20,350,000 in federal fund expenditure authority, \$4,750,000 in other fund expenditure authority, and 22.0 FTE are to align the budget with anticipated utilization.

**EDUCATION**

The Governor’s recommendation for the Department of Education reflects an increase of \$2,028,714 in general funds and decreases of \$3,227,896 in federal fund expenditure authority, \$1,105,429 in other fund expenditure authority, and 1.0 FTE. The total recommended budget for FY2017 is \$15,713,356 in general funds, \$187,559,721 in federal fund expenditure authority, \$3,930,995 in other fund expenditure authority, and 182.0 FTE.

**GENERAL ADMINISTRATION**

The Governor recommends a decrease of \$2,199,100 in federal fund expenditure authority to align the budget with anticipated utilization. The total recommended FY2017 budget for this division is \$2,716,254 in general funds, \$6,765,277 in federal fund expenditure authority, \$210,791 in other fund expenditure authority, and 40.0 FTE.

## EDUCATION SERVICES AND RESOURCES

This includes the Division of Assessment and Accountability, the Division of Educational Services and Support, the Division of Career and Technical Education, and the Division of Curriculum and Instruction. The Governor recommends increases of \$2,050,854 in general funds and 3.0 FTE, and decreases of \$1,028,796 in federal fund expenditure authority and \$697,246 in other fund expenditure authority. The total recommended FY2017 budget is \$8,977,149 in general funds, \$178,607,179 in federal fund expenditure authority, \$1,150,220 in other fund expenditure authority, and 74.5 FTE. An increase of \$1,139,900 in general funds and decrease of \$512,949 in federal fund expenditure authority in the birth to three program is for an increase in services, 2.7% inflationary increase, and a funding shift as federal funds have been depleted. An increase of \$345,000 in general funds is to continue providing instructional reading coaches. An increase of \$565,954 in general funds is due to a growth in utilization of the dual credit program. Increases of \$180,552 in federal fund expenditure authority and 3.0 FTE are to assist with the increased workload in the federal child nutrition and food distribution programs. A decrease of \$696,399 in federal fund expenditure authority and \$697,246 in other fund expenditure authority is to align the budget with anticipated utilization.

### HISTORY

The total recommended FY2017 History budget consists of \$2,148,180 in general funds, \$954,320 in federal fund expenditure authority, \$2,542,084 in other fund expenditure authority, and 44.0 FTE. This includes a decrease of \$250,000 in other fund expenditure authority to align the budget with anticipated utilization.

### STATE LIBRARY

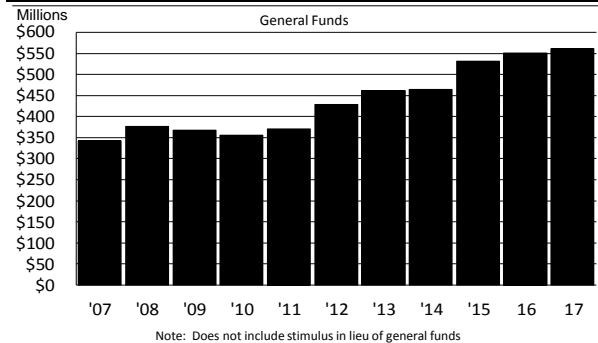
The Governor's recommendation for the State Library's FY2017 budget is \$1,871,773 in general funds, \$1,232,945 in federal fund expenditure authority, \$27,900 in other fund expenditure authority, and 23.5 FTE. This includes decreases of \$22,140 in general funds, \$158,183 in other fund expenditure authority, and 4.0 FTE to align the budget with anticipated utilization.

## HEALTH, HUMAN, AND SOCIAL SERVICES

The budgets included in this category are the Department of Health, Department of Human Services, and Department of Social Services. General funds account for an \$11.6 million increase out of the \$59.3

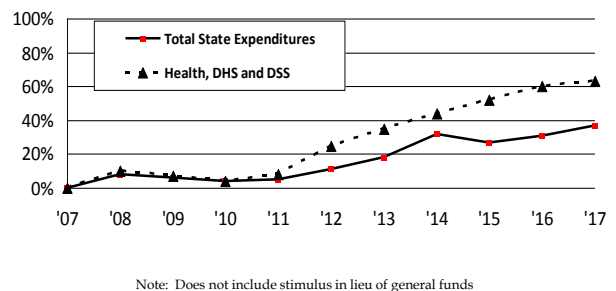
million in total ongoing general fund increases. This budget comprises of \$409.8 million of the \$496.2 million in total ongoing fund increases for FY2017. In terms of the total ongoing budget, this category is 37.7% of the general funds and 37.3% of the total ongoing funds, which amounts to nearly \$1.8 billion in total ongoing funding.

## Health, Human, and Social Services



## Health, Human, and Social Services

General Funds : Indexed Expenditures (FY2007 = 0)



## HEALTH

The total recommended budget is \$9,315,278 in general funds, \$41,079,264 in federal fund expenditure authority, and \$43,870,239 in other fund expenditure authority, for a total of \$94,264,781 and 431.4 FTE. This includes increases of \$881,658 in general funds, \$1,749,426 in other fund expenditure authority, and 2.7 FTE. Also included is a decrease of \$1,855,361 in federal fund expenditure authority.

### ADMINISTRATION

The total recommended budget for Administration is \$935,842 in general funds, \$1,683,917 in federal fund expenditure authority, \$1,481,406 in other fund expenditure authority, and 32.0 FTE. This includes a decrease of \$150,000 in federal fund expenditure authority to align budget with anticipated utilization.

## **HEALTH SYSTEMS DEVELOPMENT AND REGULATION**

The total recommended budget for Health Systems Development and Regulation is \$4,299,845 in general funds, \$10,261,273 in federal fund expenditure authority, \$3,149,356 in other fund expenditure authority, and 70.0 FTE. This includes an increase of \$159,645 in general funds and 2.0 FTE to meet the survey requirements of Assisted Living Centers. Also included are increases in general funds of \$796,100 to assist rural communities with healthcare workforce recruitment and \$5,913 for health protection inspections.

## **FAMILY AND COMMUNITY HEALTH**

The total recommended budget for Family and Community Health is \$4,079,591 in general funds, \$24,273,374 in federal fund expenditure authority, \$5,959,261 in other fund expenditure authority, and 188.5 FTE. This includes a decrease of \$80,000 in general funds due to reduced costs for the immunization billing system. Also included is a decrease of \$1,500,000 in federal fund expenditure authority to align budget with anticipated utilization.

## **LABORATORY SERVICES**

The total recommended budget for Laboratory Services is \$3,308,015 in federal fund expenditure authority, \$3,426,286 in other fund expenditure authority, and 28.0 FTE.

## **CORRECTIONAL HEALTH**

The total recommended budget for Correctional Health is \$21,043,239 in other fund expenditure authority and 87.0 FTE. This includes increases in other fund expenditure authority of \$36,352 for a 2.7% provider inflation increase, \$1,086,630 for other inflationary costs, and \$224,000 for costs related to anticipated Hepatitis C treatment.

## **TOBACCO PREVENTION**

The total recommended budget for Tobacco Prevention is \$1,552,685 in federal fund expenditure authority, \$4,500,212 in other fund expenditure authority, and 3.0 FTE.

## **PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL**

This division is comprised of the informational budgets of the professional and occupational licensing boards. There are twelve boards including the Board of Chiropractic Examiners, Board of Dentistry, Board of Hearing Aid

Dispensers, Board of Funeral Service, Board of Medical and Osteopathic Examiners, Board of Nursing, Board of Nursing Home Administrators, Board of Optometry, Board of Pharmacy, Board of Podiatry Examiners, Board of Massage Therapy, and Board of Speech-Language Pathology. The Governor is recommending a decrease of \$205,361 in federal fund expenditure authority in the Board of Pharmacy. Also included are increases in other fund expenditure authority of \$23,937 in the Board of Dentistry, \$90,500 in the Board of Nursing, \$2,000 in the Board of Nursing Home Administrators, \$12,832 in the Board of Optometry, \$267,184 and 0.7 FTE and in the Board of Pharmacy, and \$5,991 in the Board of Massage Therapy. The total recommended budget for the Boards is \$4,310,479 in other fund expenditure authority, and 22.9 FTE.

## **HUMAN SERVICES**

The Governor is recommending a decrease of \$67,188 in general funds, an increase of \$4,814,096 in federal fund expenditure authority, and a decrease of \$5,969,127 in other fund expenditure authority. This budget includes a funding swap of \$3,571,271 from general funds to federal fund expenditure authority due to the decrease in the state's share in the Federal Medical Assistance Percentage (FMAP). For FY2017, a total budget consisting of \$78,606,606 in general funds, \$110,329,625 in federal fund expenditure authority, \$9,660,538 in other fund expenditure authority, and 545.4 FTE is recommended.

## **SECRETARIAT**

The Governor is recommending an increase of \$4,096 in general funds for a 2.7% provider inflation increase. The total recommended budget is \$918,398 in general funds, \$701,073 in federal fund expenditure authority, \$1,421 in other fund expenditure authority, and 17.0 FTE.

## **DEVELOPMENTAL DISABILITIES**

The recommendation for the Division of Developmental Disabilities includes an increase of \$378,555 in general funds, an increase of \$3,821,284 in federal fund expenditure authority, and a decrease of \$5,971,706 in other fund expenditure authority. Increases of \$1,513,109 in general funds, \$2,017,582 in federal fund expenditure authority, and \$228,468 in other fund expenditure authority are for a 2.7% provider inflation increase. Also, increases of \$1,721,016 in general funds and \$2,029,291 in federal fund expenditure authority are to address growth in individuals needing services who have developmental disabilities. Decreases of \$3,540,295 in federal fund expenditure authority and \$5,741,038 in other fund expenditure authority align

budget with anticipated utilization. The total recommended budget for the Division of Developmental Disabilities is \$60,592,595 in general funds, \$77,021,014 in federal fund expenditure authority, \$5,687,734 in other fund expenditure authority, and 20.5 FTE.

#### **SOUTH DAKOTA DEVELOPMENTAL CENTER**

The recommendation for the South Dakota Developmental Center includes a decrease of \$653,582 in general funds, an increase of \$580,313 in federal fund expenditure authority, and an increase of \$2,579 in other fund expenditure authority. Decreases of \$42,697 in general funds and \$50,344 in federal fund expenditure authority are for utility cost adjustments. Increases of \$7,382 in general funds, \$12,390 in federal fund expenditure authority, and \$2,579 in other fund expenditure authority are for food service inflation. The total recommended budget is \$11,499,131 in general funds, \$13,638,720 in federal fund expenditure authority, \$794,724 in other fund expenditure authority, and 377.6 FTE.

#### **REHABILITATION SERVICES**

The Governor's recommended budget for Rehabilitation Services includes increases of \$203,743 in general funds and \$412,499 in federal fund expenditure authority. Increases of \$74,224 in general funds and \$56,642 in federal fund expenditure authority are for a 2.7% provider inflation increase. Increases of \$51,270 in general funds and \$51,270 in federal fund expenditure authority are for Conflict Free Case Management. Also included are increases of \$120,549 in general funds and \$142,143 in federal fund expenditure authority for enhancement of Assistive Daily Living Services waiver supports and \$55,134 in general funds and \$65,010 in federal fund expenditure authority to increase provider reimbursement rates to at least 90% of methodology target over three years. The total recommended budget is \$4,643,075 in general funds, \$16,354,531 in federal fund expenditure authority, \$1,493,424 in other fund expenditure authority, and 101.1 FTE.

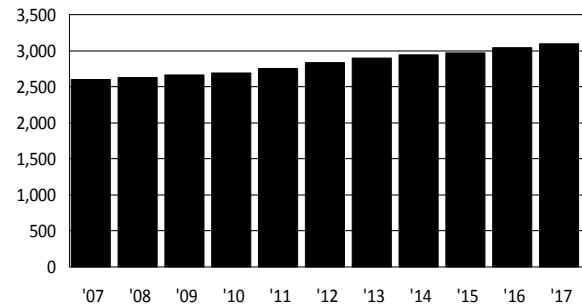
#### **TELECOMMUNICATION DEVICES FOR THE DEAF**

The total recommended FY2017 budget is \$1,301,680 in other fund expenditure authority.

#### **SERVICE TO THE BLIND AND VISUALLY IMPAIRED**

The total recommended budget is \$953,407 in general funds, \$2,614,287 in federal fund expenditure authority, \$381,555 in other fund expenditure authority, and 29.2 FTE.

### **Developmental Disabilities Clients**



### **SOCIAL SERVICES**

The Governor's recommended budget for the Department of Social Services is \$473,553,357 in general funds, \$1,025,560,426 in federal fund expenditure authority, and \$10,389,553 in other fund expenditure authority for a total FY2017 budget of \$1,509,503,336 and 1,717.3 FTE. This recommendation is an increase of \$10,816,090 in general funds, \$399,243,415 in federal fund expenditure authority, \$155,710 in other fund expenditure authority and 61.0 FTE. This budget includes a funding swap of \$17,486,545 from general funds to federal fund expenditure authority due to the decrease in the state's share in the Federal Medical Assistance Percentage (FMAP).

#### **ADMINISTRATION**

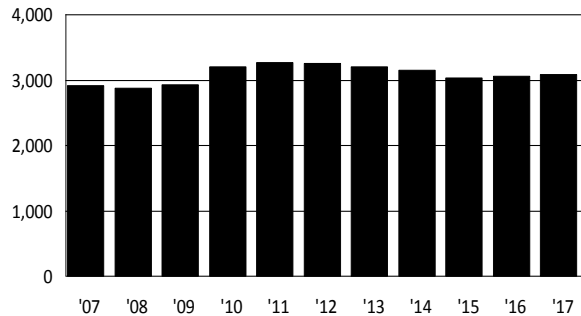
The Governor's recommended changes within Administration include a decrease of \$50,445 in general funds along with an increase of a like amount in federal fund expenditure authority due to the FMAP change. Also included is a \$5,000,000 reduction in federal fund expenditure authority to align the budget with anticipated utilization and an increase of 7.0 FTE due to the anticipated expansion of the Medicaid program. The total recommended budget is \$8,867,328 in general funds, \$16,390,103 in federal fund expenditure authority, \$19,342 in other fund expenditure authority, and 189.7 FTE.

#### **ECONOMIC ASSISTANCE**

The Governor's recommended budget for Economic Assistance includes an increase of \$399,413 in general funds and 32.0 FTE as well as a decrease of \$758,775 in federal fund expenditure authority. A decrease of \$221,660 in general funds with a matching federal fund expenditure authority increase are due to the FMAP change. Increases of \$606,018 in general funds and \$13,711 in federal fund expenditure authority are for a provider inflation increase of 2.7%. Also included is a

\$1,000,000 decrease in federal fund authority to align the budget with anticipated utilization. The total recommended budget is \$25,849,274 in general funds, \$60,156,118 in federal fund expenditure authority, \$340,815 in other fund expenditure authority, and 352.5 FTE.

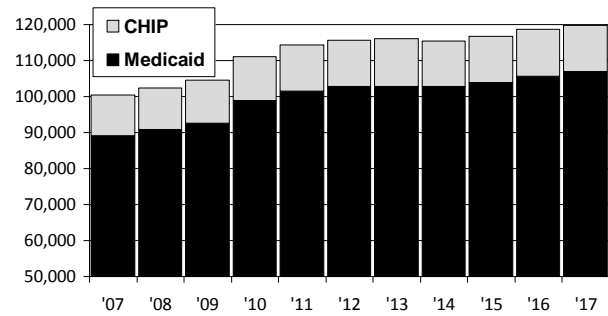
### TANF Case Load in South Dakota



### MEDICAL AND ADULT SERVICES

The Governor's recommended budget for Medical and Adult Services includes increases of \$5,066,022 in general funds, \$406,362,639 in federal fund expenditure authority and 15.0 FTE. The FY2017 recommended budget is \$314,544,061 in general funds, \$864,337,547 in federal fund expenditure authority, \$1,795,132 in other fund expenditure authority, and 166.0 FTE. Increases of \$4,202,580 in general funds and \$3,000,104 in federal fund expenditure authority are for inflationary increases required by federal regulations. The Governor's recommendation also includes \$373,644,565 in federal fund expenditure authority and 15.0 FTE for the anticipated expansion of the Medicaid program which would provide coverage for an additional 49,224 South Dakotans. Increases of \$7,411,881 in general funds and \$8,734,981 in federal fund expenditure authority are recommended for a 2.7% provider inflation increase. Increases of \$6,795,023 in general funds and \$7,323,919 in federal fund expenditure authority are due to changes in utilization and the projected number of participants in the Medicaid program. Also included are increases of \$1,298,981 in general funds and \$1,198,464 in federal fund expenditure authority to increase provider reimbursement rates to at least 90% of methodology target over three years. Also included in the Governor's recommendation is a decrease of \$7,100,000 in federal fund expenditure authority to align the budget with anticipated utilization.

### Medical Assistance Case Loads in South Dakota



### CHILDREN'S SERVICES

The Governor's recommended FY2017 budget for Children's Services includes increases of \$1,292,627 in general funds and \$13,483 in other fund expenditure authority, along with a decrease of \$269,595 in federal fund expenditure authority. This includes increases of \$617,458 in general funds and \$61,823 in federal fund expenditure authority for additional subsidized adoptions and guardianships. In addition, increases of \$615,985 in general funds, \$311,240 in federal fund expenditure authority, and \$13,483 in other fund expenditure authority are recommended for a provider inflation increase of 2.7%. Additionally, \$858,604 in general funds is recommended for a 5.51% inflationary increase for Child Care Direct Assistance providers. Also included is a \$1,500,000 reduction in federal fund expenditure authority to align the budget with anticipated utilization. The total recommended budget for Children's Services is \$45,191,548 in general funds, \$47,139,682 in federal fund expenditure authority, \$4,721,045 in other fund expenditure authority, and 353.8 FTE.

### BEHAVIORAL HEALTH

The Governor recommends increases of \$4,108,473 in general funds, \$142,227 in other fund expenditure authority and 7.0 FTE and a decrease of \$1,141,299 in federal fund expenditure authority. Increases of \$1,222,442 in general funds, \$345,104 in federal fund expenditure authority, and \$9,180 in other fund expenditure authority are recommended for a 2.7% provider inflation increase. Included is a decrease of \$701,000 in federal fund expenditure authority due to the closure of the Co-occurring State Incentive Plan. Recommended increases at the Human Services Center (HSC) include \$455,332 in general funds for various pay grade changes, \$211,039 in general funds for medical supplies and increased operating expenses, and decreases of \$11,960 in general funds and \$182,530 in federal fund expenditure authority for utility usage and



rate changes. Also, included in the HSC budget is a funding shift of \$326,030 from federal fund expenditure authority to general funds due to a decrease of federal revenue. An increase of \$3,203,509 in general funds and 4.0 FTE is also recommended for the Juvenile Justice Reinvestment Initiative. An increase of \$133,047 in other fund expenditure authority and 2.0 FTE is recommended for Correctional Behavioral Health. Also a reduction of \$1,400,000 in federal fund expenditure authority is recommended to align the budget with anticipated expenditures. The total recommended FY2017 budget is \$79,101,146 in general funds, \$37,536,976 in federal fund expenditure authority, and \$3,075,300 in other fund expenditure authority for a total of \$119,713,422 and 654.0 FTE.

## BOARDS – INFORMATIONAL

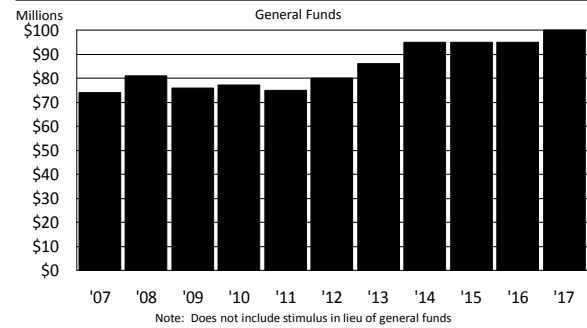
Included in the Department of Social Services are the informational budgets of four boards. The boards are the Board of Counselor Examiners, Board of Psychology Examiners, Board of Social Work Examiners, and the Board of Addiction and Prevention Professionals. The total recommended budget for FY2017 for the boards is \$437,919 in other fund expenditure authority and 1.3 FTE.

## CORRECTIONS

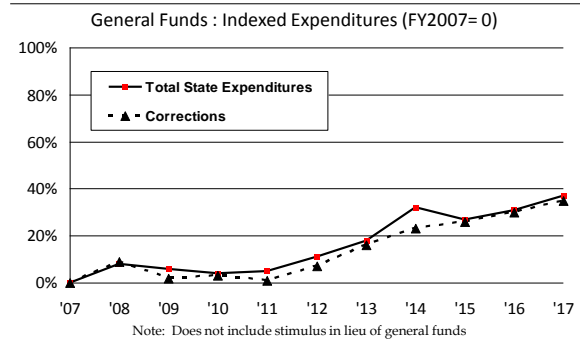
The Governor's FY2017 budget recommendation for the Department of Corrections includes \$100,099,175 in general funds, \$5,971,517 in federal fund expenditure authority, and \$3,665,614 in other fund expenditure authority for a total FY2017 budget of \$109,736,306 and 812.0 FTE. This budget recommendation consists of an increase of \$3,661,260 in general funds, as well as decreases of \$2,400,067 in federal fund expenditure authority, \$9,172,791 in other fund expenditure authority, and 57.2 FTE.

The average daily population (ADP) of adult inmates is projected to be 3,607 in FY2017. This represents an increase of 19 inmates over the actual FY2015 ADP of 3,588 inmates and an increase of 13 inmates over the budgeted FY2016 ADP of 3,594. The ADP of juveniles is projected to be 505 in FY2016 and 420 in FY2017. This represents a decrease of 221 juveniles when compared to the actual FY2015 ADP of 641.

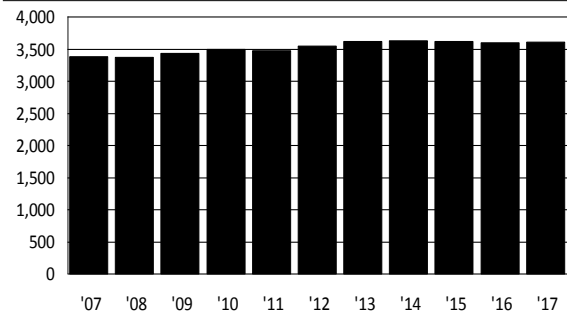
## Corrections



## Corrections



## Average Daily Population of Adult Inmates



## ADMINISTRATION

The Governor is recommending a net increase of \$163,585 in total funds. This is attributed to an increase of \$517,691 in general funds relating to computer replacement and funding changes. This budget also includes a decrease in other fund expenditure authority of \$354,106. The FY2017 recommended budget for Administration is \$2,758,028 in general funds, \$963,901 in federal fund expenditure authority, and 22.0 FTE.

### **MIKE DURFEE STATE PRISON**

The Governor is recommending a net decrease of \$72,895 in total funds. Included in this budget are increases of \$1,380,903 in general funds for clothing, bedding, food services, and funding changes; as well as a decrease in general funds for utilities. Also included are decreases of \$40,022 in federal fund expenditure authority and \$1,413,776 in other fund expenditure authority. The FY2017 recommended budget for Mike Durfee State Prison is \$17,591,254 in general funds, \$81,010 in federal fund expenditure authority, and 210.0 FTE.

### **STATE PENITENTIARY**

The Governor is recommending a net increase of \$731,465 in total funds. Included in this budget is an increase of \$2,483,962 in general funds associated with clothing, bedding, food services, Correctional Officer pay, funding changes, and an additional 1.0 FTE for a Senior Secretary. This budget also includes decreases of \$482,973 in federal fund expenditure authority and \$1,269,524 in other fund expenditure authority. The FY2017 recommended budget for the State Penitentiary is \$23,733,253 in general funds, \$186,611 in federal fund expenditure authority, and 312.0 FTE.

### **WOMEN'S PRISON**

The Governor is recommending a net increase of \$7,556 in total funds. Included in this budget is an increase of \$337,757 in general funds for clothing, bedding, food services, and funding changes, as well as a decrease in general funds for utilities. Also included are decreases of \$11,512 in federal fund expenditure authority and \$318,689 in other fund expenditure authority. The FY2017 recommended budget for the Women's Prison is \$5,421,704 in general funds, \$67,254 in federal fund expenditure authority, and 70.0 FTE.

### **PHEASANTLAND INDUSTRIES**

The Governor is recommending a net decrease of \$2,412,104 in other fund expenditure authority. This includes an increase of \$87,896 and 2.0 FTE for shop foremen, and a decrease of \$2,500,000 due to license plate production. The FY2017 recommended budget for Pheasantland Industries is \$3,665,614 in other fund expenditure authority and 16.0 FTE.

### **INMATE SERVICES**

The Governor is recommending a net increase of \$1,189,572 in total funds. Included in this budget is an increase of \$2,820,975 in general funds due to treating inmates with Hepatitis C, funding for Mental Health

Professionals, and funding changes. Also included are decreases of \$768 in federal fund expenditure authority and \$1,630,635 in other fund expenditure authority. The FY2017 recommended budget for Inmate Services is \$25,098,605 in general funds, \$373,820 in federal fund expenditure authority, and 24.0 FTE.

### **PAROLE SERVICES**

The Governor is recommending a net decrease of \$60,088 in total funds. Included in this budget are increases of \$937,885 in general funds for the Community Transition Program, Tribal Parole Program, and funding changes. Also included is a decrease of \$997,973 in other fund expenditure authority. The FY2017 recommended budget for Parole Services is \$5,380,313 in general funds and 57.0 FTE.

### **JUVENILE COMMUNITY CORRECTIONS**

The Governor is recommending a net decrease of \$4,343,210 in total funds. Included in this budget are decreases of \$2,098,620 in general funds, \$1,677,221 in federal fund expenditure authority, \$567,369 in other fund expenditure authority, and 4.5 FTE due to decreases in the juvenile average daily population. The federal fund expenditure authority increase includes \$205,202 due to the change in the Federal Medical Assistance Percentage (FMAP). The FY2017 recommended budget for Juvenile Community Corrections is \$13,387,721 in general funds, \$3,898,978 in federal fund expenditure authority, and 40.0 FTE.

### **YOUTH CHALLENGE CENTER**

The Governor is recommending a net decrease of \$545,084 in total funds. This budget includes decreases of \$530,142 in general funds and \$14,942 in other fund expenditure authority due to decreases in the juvenile average daily population. The FY2017 recommended budget for the Youth Challenge Center is \$972,838 in general funds and 11.0 FTE.

### **PATRICK HENRY BRADY ACADEMY**

The Governor is recommending a net decrease of \$550,699 in total funds. This budget includes decreases of \$536,419 in general funds and \$14,280 in other fund expenditure authority due to decreases in the juvenile average daily population. The FY2017 recommended budget for Patrick Henry Brady Academy is \$959,619 in general funds and 11.0 FTE.

## STATE TREATMENT AND REHABILITATION ACADEMY

The Governor is recommending a net decrease of \$1,482,707 in total funds. Included in this budget are decreases of \$1,129,086 in general funds, \$187,571 in federal fund expenditure authority, \$166,050 in other fund expenditure authority, and 17.7 FTE due to decreases in the juvenile average daily population. The FY2017 recommended budget for the State Treatment and Rehabilitation Academy is \$3,986,086 in general funds, \$467,943 in federal fund expenditure authority, and 28.0 FTE.

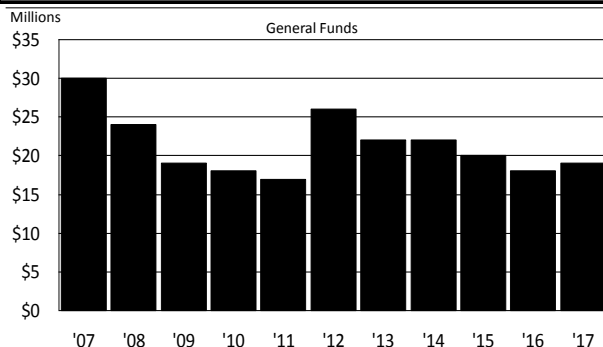
### QUEST

The Governor is recommending a net decrease of \$536,989 in total funds. This includes decreases of \$523,646 in general funds, \$13,343 in other fund expenditure authority, and 10.0 FTE due to decreases in the juvenile average daily population. The FY2017 recommended budget for QUEST is \$809,754 in general funds and 11.0 FTE.

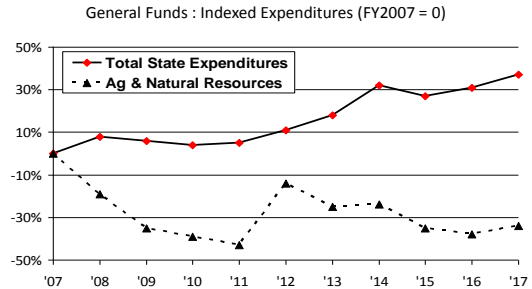
## AGRICULTURE; ENVIRONMENT AND NATURAL RESOURCES; AND, GAME, FISH, AND PARKS

The budgets included in this category are the Department of Agriculture, Department of Environment and Natural Resources, and Department of Game, Fish, and Parks. General funds account for an increase of \$1.1 million out of the \$59.3 million in total ongoing general fund increases. This budget represents an increase of \$4.5 million out of the \$496.2 million in ongoing total fund increases for FY2017. In terms of the total ongoing state budget, this category is 1.3% of the general funds and 3.3% of the total ongoing funds, which amounts to \$157.4 million in total ongoing funding.

## Agriculture, Natural Resources and Game, Fish, and Parks



## Agriculture, Natural Resources and Game, Fish, and Parks



## AGRICULTURE

The total recommended budget for the Department of Agriculture is \$45,888,374, consisting of \$6,995,141 in general funds, \$7,198,390 in federal fund expenditure authority, \$31,694,843 in other fund expenditure authority, and 225.9 FTE. The Governor is recommending total increases of \$120,945 in general funds and \$717,169 in other fund expenditure authority, along with a decrease of \$192,945 in federal fund expenditure authority.

### OFFICE OF THE SECRETARY

The total recommended budget for the Office of the Secretary is \$1,099,966, consisting of \$868,616 in general funds, \$60,967 in federal fund expenditure authority, \$170,383 in other fund expenditure authority, and 9.5 FTE.

### AGRICULTURAL SERVICES AND ASSISTANCE

The Governor is recommending a net decrease of \$62,000 in total funds. An increase of \$120,945 in general funds is for training and capital assets in Fire Management. Decreases of \$82,945 in federal fund expenditure authority and \$100,000 in other fund expenditure authority are to align the budget with anticipated utilization. The total recommended budget for Agricultural Services and Assistance includes \$2,071,984 in general funds, \$3,836,524 in federal fund expenditure authority, and \$3,040,244 in other fund expenditure authority, for a total budget of \$8,948,752 and 81.9 FTE.

### AGRICULTURAL DEVELOPMENT AND PROMOTION

The Governor is recommending a net decrease of \$210,000 in total funds. Decreases of \$110,000 in federal fund expenditure authority and \$100,000 in other fund expenditure authority are to align the budget with anticipated utilization. The total recommended budget for Agricultural Development and Promotion is

\$4,163,070, consisting of \$1,724,129 in general funds, \$1,605,661 in federal fund expenditure authority, \$833,280 in other fund expenditure authority, and 29.0 FTE.

#### **ANIMAL INDUSTRY BOARD**

The total recommended budget for the Animal Industry Board is \$4,027,495 and 41.0 FTE. This budget is comprised of \$2,057,845 in general funds, \$1,695,238 in federal fund expenditure authority, and \$274,412 in other fund expenditure authority.

#### **BOARDS AND COMMISSIONS – INFORMATIONAL**

The Agricultural Boards and Commissions are as follows: the American Dairy Association, the Wheat Commission, the Oilseeds Council, the Soybean Research and Promotion Council, the Brand Board, the Corn Utilization Council, the Board of Veterinary Medical Examiners, and the Pulse Crops Council. The total recommended budget for the Agricultural Boards and Commissions is \$24,184,708 in other fund expenditure authority and 45.0 FTE. The Governor is recommending increases in other fund expenditure authority of \$329,146 for the American Dairy Association, \$156,521 for the Brand Board, \$62,936 for the Wheat Commission, \$28,748 for the Corn Utilization Council, and \$5,740 for the Pulse Crops. The Governor is also recommending a decrease in other fund expenditure authority of \$5,922 for the Oilseeds Council. The total increase in other fund expenditure authority for the boards and commissions is \$577,169.

#### **STATE FAIR**

The total recommended budget for the State Fair is \$272,567 in general funds and \$3,191,816 in other fund expenditure authority for a total budget of \$3,464,383 and 19.5 FTE. This includes an increase of \$340,000 in other fund expenditure authority to reflect anticipated expenditures.

#### **ENVIRONMENT AND NATURAL RESOURCES**

The total recommended budget for the Department of Environment and Natural Resources totals \$24,084,654 and consists of \$6,445,415 in general funds, \$8,302,621 in federal fund expenditure authority, \$9,336,618 in other fund expenditure authority, and 180.5 FTE. This budget recommendation consists of an increase of \$100,000 in federal fund expenditure authority and a decrease of a like amount in other fund expenditure authority.

#### **FINANCIAL AND TECHNICAL ASSISTANCE**

The Governor is recommending an increase of \$100,000 in federal fund expenditure authority and a decrease of a like amount in other fund expenditure authority for administration of the Clean Water State Revolving Fund. The total recommended budget for Financial and Technical Assistance is \$5,746,384 and 56.5 FTE, consisting of \$2,484,667 in general funds, \$2,254,295 in federal fund expenditure authority, and \$1,007,422 in other fund expenditure authority.

#### **ENVIRONMENTAL SERVICES**

The total recommended budget for Environmental Services is \$13,250,848 and 119.0 FTE, consisting of \$3,960,748 in general funds, \$6,048,326 in federal fund expenditure authority, and \$3,241,774 in other fund expenditure authority.

#### **REGULATED RESPONSE FUND – INFORMATIONAL**

The Regulated Response Fund budget is informational and continuously appropriated with \$1,750,002 in other fund expenditure authority.

#### **LIVESTOCK CLEANUP FUND – INFORMATIONAL**

The Livestock Cleanup Fund budget is informational and continuously appropriated with \$765,000 in other fund expenditure authority.

#### **PETROLEUM RELEASE COMPENSATION**

The total recommended budget for Petroleum Release Compensation is \$2,572,420 in other fund expenditure authority and 5.0 FTE.

#### **GAME, FISH, AND PARKS**

The total recommended budget for the Department of Game, Fish, and Parks totals \$87,398,711, including \$6,177,838 in general funds, \$24,962,102 in federal fund expenditure authority, \$56,258,771 in other fund expenditure authority, and 578.9 FTE. This budget reflects an overall increase of \$3,844,260, including increases of \$1,000,746 in general funds, \$4,156,769 in other fund expenditure authority, and 10.5 FTE, and a decrease of \$1,313,255 in federal fund expenditure authority.

#### **ADMINISTRATION**

The total recommended budget for Administration includes \$952,367 in general funds, \$3,196,331 in other fund expenditure authority, and 27.6 FTE, for a total

budget of \$4,148,698. This includes a decrease of \$1,256 in general funds resulting from changes in bond payments related to the Division of Wildlife's fish hatcheries. This recommendation also includes an increase of \$822,161 in other fund expenditure authority and 7.5 FTE to reflect the movement of the communications office from the Division of Wildlife to the Division of Administration and to expand communications.

#### **WILDLIFE – INFORMATIONAL**

The Governor is recommending an increase in federal fund expenditure authority of \$169,762 and decreases of \$54,234 in other fund expenditure and 1.0 FTE. Included in this budget are decreases of \$671,161 in other fund expenditure authority and 5.0 FTE to move the communications office from the Division of Wildlife to the Division of Administration. This budget also includes increases of \$169,762 in federal fund expenditure authority, \$616,927 in other fund expenditure authority, and 4.0 FTE to establish regional terrestrial supervisor positions within each wildlife region. The total recommended budget for the Division of Wildlife is \$47,355,146, composed of \$17,582,621 in federal fund expenditure authority, \$29,772,525 in other fund expenditure authority, and 294.0 FTE.

#### **WILDLIFE DEVELOPMENT AND IMPROVEMENT – INFORMATIONAL**

The total recommended budget for the Wildlife Development and Improvement Division is \$1,772,585, including \$1,078,250 in federal fund expenditure authority and \$694,335 in other fund expenditure authority. This includes increases of \$209,500 in federal fund expenditure authority and \$433,085 in other fund expenditure authority to align the budget with the capital development project list.

#### **STATE PARKS AND RECREATION**

The total recommended budget for the Division of State Parks and Recreation is \$24,077,496 and 248.2 FTE, consisting of \$5,225,471 in general funds, \$3,606,281 in federal fund expenditure authority, and \$15,245,744 in other fund expenditure authority. This includes an increase of \$1,002,002 in general funds due to changes in bond payments related to the State Parks. A like amount of the State Parks and Recreation other funds are transferred into the general fund resulting in a net zero impact to the general fund. Increases of \$174,078 in other fund expenditure authority and 4.0 FTE are for Assistant Park Manager and Naturalist positions. Increases of \$177,146 in federal fund expenditure authority and \$450,909 in other fund expenditure authority are for operating expenses.

#### **STATE PARKS AND RECREATION DEVELOPMENT AND IMPROVEMENT**

The total recommended budget for the State Parks and Recreation Development and Improvement Division is \$8,748,607, composed of \$2,694,950 in federal fund expenditure authority and \$6,053,657 in other fund expenditure authority. This includes a decrease of \$1,693,663 in federal fund expenditure authority and an increase of \$2,229,770 in other fund expenditure authority to align the budget with anticipated costs from the capital development project list.

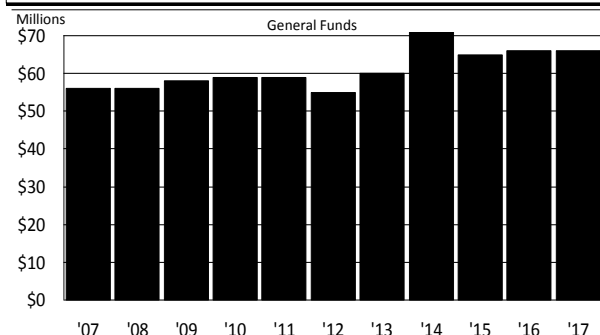
#### **SNOWMOBILE TRAILS – INFORMATIONAL**

The Governor is recommending a decrease of \$176,000 in federal fund expenditure authority and an increase of \$101,000 in other fund expenditure authority to reflect changes in the capital asset budget. The total recommended budget for the Snowmobile Trails Program is \$1,296,179 in other fund expenditure authority and 9.1 FTE.

#### **LEGISLATURE, UNIFIED JUDICIAL SYSTEM, PUBLIC UTILITIES COMMISSION, AND ELECTED OFFICIALS**

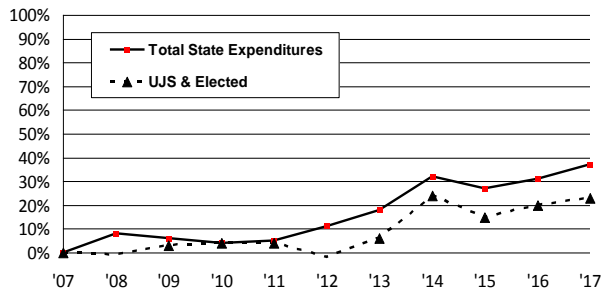
The budgets included in this category are the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer. General funds account for an increase of \$1.3 million out of the \$59.3 million in total ongoing increases. This budget represents a \$12.7 million increase out of the \$496.2 million in total ongoing fund increases for FY2017. In terms of the total ongoing state budget, this category is 4.5% of the general funds and 2.8% of the total ongoing funds, which amounts to \$134.5 million in total ongoing funding.

#### **UJS, Legislature and Elected Officials**



## UJS, Legislature and Elected Officials

General Funds : Indexed Expenditures (FY2007= 0)



### LEGISLATURE

The FY2017 budget for the Legislature is \$9,376,646 in general funds, \$1,006,000 in other fund expenditure authority, and 70.6 FTE.

The Legislative Research Council's budget includes a decrease of \$83,938 in general funds. The overall FY2017 budget for the Legislative Research Council is \$5,817,795 in general funds, \$1,006,000 in other fund expenditure authority, and 31.6 FTE.

A general fund increase of \$38,197 for the Auditor General is recommended to meet the anticipated needs for ongoing costs related to salaries, benefits, and operating expenses. The overall FY2017 budget for Legislative Audit is \$3,558,851 in general funds and 39.0 FTE.

### UNIFIED JUDICIAL SYSTEM

The Governor's recommended changes for the Unified Judicial System include increases of \$1,205,926 in general funds and 4.0 FTE, as well as decreases of \$127,123 in federal fund expenditure authority and \$11,509 in other fund expenditure authority.

This recommendation includes increases of \$933,544 in general funds and 3.0 FTE, as well as a decrease of \$127,493 in federal fund expenditure authority for Drug/DUI Courts. This consists of 2.0 FTE for a Coordinator and Court Services Officer for the Brookings County Drug Court, 1.0 FTE for a Court Services Officer for the Minnehaha County Drug Court, \$80,484 in general funds and a decrease of a like amount in federal fund expenditure authority to allow the DUI Court in Hughes County to transition into a Drug Court, \$189,529 in general funds to allow for increased client capacity, and \$267,675 in general funds for evidence-based treatment.

The Governor's recommended budget also includes increases of \$66,387 in general funds and 1.0 FTE for a Court Services Officer in Pennington County, as well as an increase of \$122,922 in general funds for Court Reporters in Minnehaha and Pennington counties. Increase of \$34,320 in general funds is for juvenile electronic monitoring. Increases of \$48,753 in general funds and \$1,664 in federal fund expenditure authority is for a 2.7% provider inflation increase.

The total recommended budget for the Unified Judicial System is \$52,921,383, consisting of \$42,707,786 in general funds, \$777,605 in federal fund expenditure authority, \$9,435,992 in other fund expenditure authority, and 579.4 FTE.

### PUBLIC UTILITIES COMMISSION

The Governor's total recommended budget for the Public Utilities Commission is \$565,686 in general funds, \$295,304 in federal fund expenditure authority, \$3,706,931 in other fund expenditure authority, and 31.2 FTE. This includes a decrease of \$39,985 in federal fund expenditure authority due to receiving fewer federal funds. Also included is an increase of \$48,853 in other fund expenditure authority for the One Call contract and to align the budget with anticipated expenditures.

### ATTORNEY GENERAL

The Governor's FY2017 budget recommendation for the Office of the Attorney General consists of \$11,013,380 in general funds, \$4,131,000 in federal fund expenditure authority, and \$9,895,902 in other fund expenditure authority for a total FY2017 budget of \$25,040,282 and 179.0 FTE. This budget recommendation includes increases of \$446,464 in general funds and 1.0 FTE, as well as a decrease of \$195,577 in federal fund expenditure authority.

### LEGAL SERVICES

The FY2017 recommended budget for the Legal Services Program is \$8,186,016 in total funds and 68.0 FTE. Included in this budget recommendation is a decrease of \$105,000 in federal fund expenditure authority to align the budget with anticipated utilization.

### CRIMINAL INVESTIGATION

The FY2017 recommended budget for the Department of Criminal Investigation is \$14,090,900 in total funds and 94.5 FTE. Included in this budget is an increase of \$444,464 in general funds and a decrease of \$90,577 in

federal fund expenditure authority to move towards structurally balancing the Division.

#### **LAW ENFORCEMENT TRAINING**

The FY2017 recommended budget for the Law Enforcement Training Program is \$2,280,648 in total funds and 11.5 FTE.

#### **911 TRAINING**

The FY2017 recommended budget for the 911 Training Program is \$223,956 in total funds and 2.0 FTE.

#### **INSURANCE FRAUD UNIT - INFORMATIONAL**

The FY2017 budget for the Insurance Fraud Unit is \$258,762 in total funds and 3.0 FTE.

#### **SECRETARY OF STATE**

The Governor's recommendation for the Secretary of State is for decreases of \$297,964 in general funds and \$1,142,001 in federal fund expenditure authority and increases of \$579,382 in other fund expenditure authority and 0.3 FTE. The overall funding structure of the Secretary of State's office is recommended to be adjusted to additional other fund expenditure authority and lower general funds. This recommendation includes a fee package and split of current fees collected, which will fund all business filing and uniform commercial code related activities with other fund expenditure authority. The remaining general funds in the FY2017 budget recommendation are primarily for election related activities. A total personal service expense increase of \$108,712 and 0.3 FTE includes a decrease of \$193,332 in general funds and \$12,917 in federal fund expenditure authority which is offset by an increase of \$314,961 in other fund expenditure authority. The 0.3 FTE is for a part-time position to finish redaction of corporate documents. The overall personal service expense increase will align the budget with anticipated expenses for FY2017. Recommended operating expense increases include a \$120,000 increase in other fund expenditure authority for increased credit card charges and a \$100,000 increase in other fund expenditure authority for software maintenance for the UCC and online filing systems. A reduction of \$1,142,001 in federal fund expenditure authority will align the budget with anticipated expenses. The total recommended budget for FY2017 is \$686,525 in general funds, \$2,008,249 in federal fund expenditure authority, \$1,062,723 in other fund expenditure authority, and 15.9 FTE.

#### **SCHOOL AND PUBLIC LANDS**

The Governor's recommendation for the FY2017 School and Public Lands' budget is \$548,596 in general funds, \$272,950 in other fund expenditure authority, and 6.0 FTE. This includes a decrease of \$52,050 in other fund expenditure authority to align the budget with anticipated utilization.

#### **STATE AUDITOR**

The Governor's recommendation for the State Auditor's FY2017 budget is \$1,251,048 in general funds, \$100,000 in other fund expenditure authority, and 16.0 FTE.

#### **STATE TREASURER**

The total recommended FY2017 budget is \$35,617,742, consisting of \$532,895 in general funds, \$35,084,847 in other fund expenditure authority, and 41.3 FTE. This includes a total increase of \$12,346,338 in other fund expenditure authority.

#### **TREASURY MANAGEMENT**

The total recommended budget within Treasury Management is \$532,895 in general funds and 5.2 FTE for FY2017.

#### **UNCLAIMED PROPERTY - INFORMATIONAL**

The total recommended budget for Unclaimed Property is \$16,914,595 in other fund expenditure authority and 3.8 FTE. This includes an increase of \$11,109,700 in other fund expenditure authority to align the budget with anticipated expenditures for claim payments, third party audits expense, and personal service expenses.

#### **INVESTMENT OF STATE FUNDS**

The Governor is recommending an increase of \$235,930 in other fund expenditure authority for the Investment of State Funds for the South Dakota Investment Council (SDIC). This includes increases of \$187,818 in other fund expenditure authority for promotional development and salary adjustments for Investment Council staff. Also included is an increase of \$48,112 for investment research and miscellaneous adjustments to contractual services and the capital asset budget. The total recommended budget for the Investment of State Funds is \$8,017,528 in other fund expenditure authority and 32.3 FTE.



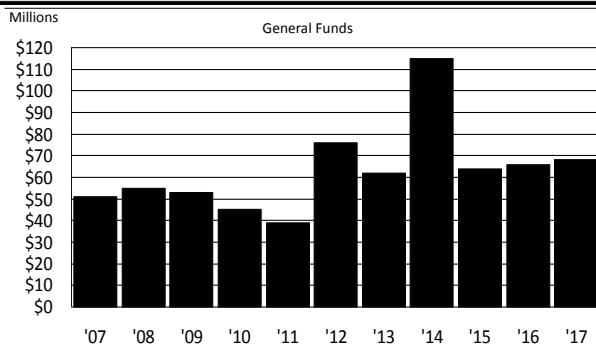
## PERFORMANCE BASED COMPENSATION

The Governor is recommending an increase of \$1,000,708 in other fund expenditure authority within Performance Based Compensation for the SDIC. The total recommended budget for the Performance Based Compensation is \$10,152,724 in other fund expenditure authority.

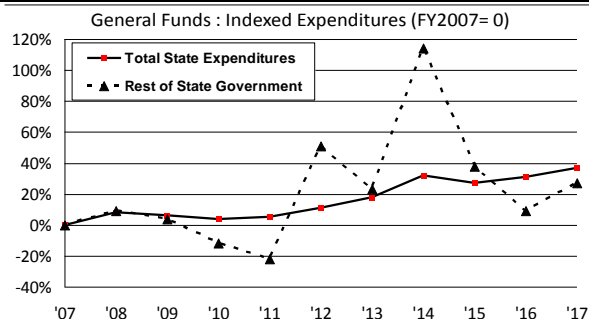
## REMAINDER OF STATE GOVERNMENT

The budgets included in this category are the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Tribal Relations, Transportation, Labor and Regulation, and Public Safety. General funds account for an increase of \$19.8 million out of the \$59.3 million in total ongoing increases. This budget represents an increase of \$86.5 million out of the \$496.2 million in total ongoing fund increases for FY2017. Included in this category is the Employee Compensation pool budgeted in Executive Management, totaling \$12.1 million in general funds and \$30.4 million in total funds. In terms of the total ongoing state budget, this category is 4.5% of the general funds and 24.0% of the total ongoing funds, which amounts to \$1.2 billion in total ongoing funding.

### Remainder of State Government



### Remainder of State Government



## EXECUTIVE MANAGEMENT

The Governor's recommendation for the Department of Executive Management includes increases of \$19,212,643 in general funds, \$2,198,970 in federal fund expenditure authority, and \$7,471,932 in other fund expenditure authority, along with a decrease of 35.3 FTE. The total FY2017 budget includes \$52,957,771 in general funds, \$18,859,711 in federal fund expenditure authority, \$166,249,506 in other fund expenditure authority, and 798.3 FTE.

### GOVERNOR'S OFFICE

The total recommended budget for the Governor's Office including the Lt. Governor is \$2,425,460 in general funds and 22.0 FTE. This includes a decrease of \$282,843 in federal fund expenditure authority to align the budget with anticipated utilization.

### OFFICE OF ECONOMIC DEVELOPMENT

The Governor's total recommended FY2017 budget is \$6,705,461 in general funds, \$11,630,059 in federal fund expenditure authority, \$55,672,335 in other fund expenditure authority, and 108.3 FTE. This includes an increase of \$250,000 in general funds to continue the proof of concept loan program. A decrease of \$2,235,621 in federal fund expenditure authority will align the budget with anticipated utilization. This recommendation also includes a net decrease of \$6,035,402 in other fund expenditure authority and 32.3 FTE. Other fund expenditure authority increases consist of \$44,046 for anticipated health insurance increases in the South Dakota Housing Development Authority, \$652,748 due to changes in the Governor's House program, and \$17,240 for increases in insurance and contract costs in the South Dakota Ellsworth Development Authority. Also recommended are decreases of \$6,749,436 in other fund expenditure authority and 32.3 FTE to reflect anticipated expenses for various construction projects for the South Dakota Science and Technology Authority.

### BUREAU OF FINANCE AND MANAGEMENT

The total recommended FY2017 budget is \$17,227,885 in general funds, \$6,095,224 in federal fund expenditure authority, \$21,429,754 in other fund expenditure authority, and 42.0 FTE. This includes increases of \$11,814,831 in general funds, \$5,783,044 in federal fund expenditure authority, and \$12,555,650 in other fund expenditure authority. A general fund decrease of \$500,000 is attributable to the Bureau of Finance and Management's sale-leaseback payment schedule. An increase of \$36,707 in other fund expenditure authority



is recommended for financial systems software maintenance.

The Governor recommends net increases of \$12,314,831 in general funds, \$5,783,044 in federal fund expenditure authority, and \$12,455,305 in other fund expenditure authority to the employee compensation and billing pools which includes market adjustments, movement toward market value, health insurance, and bureau billings for expansion.

Increases in other fund expenditure authority of \$61,950 for the South Dakota Building Authority, \$393 for the Health and Educational Facilities Authority, and \$2,768 for the Education Enhancement Funding Corporation are to align the budget with anticipated expenditures.

#### **BUREAU OF ADMINISTRATION**

The Governor recommends increases of \$6,883,256 in general funds and \$1,451,684 in other fund expenditure authority. This recommendation includes an increase of \$6,912,494 in general funds for the maintenance and repair (M&R) of state buildings. This is the fourth year of a four year plan to reach an M&R budget which is 2% of the replacement value of the buildings. A decrease of \$29,238 in general funds is for the Bureau of Administration's sale-leaseback payments. An increase of \$1,451,684 in other fund expenditure authority is recommended to replace older vehicles in the State fleet. The FY2017 recommended budget is \$19,241,366 in general funds, \$500,000 in federal fund expenditure authority, \$35,958,328 in other fund expenditure authority, and 162.0 FTE.

#### **BUREAU OF INFORMATION AND TELECOMMUNICATIONS**

The Governor recommends an increase of \$264,556 in general funds, along with a decrease of \$1,015,610 in federal fund expenditure authority. An increase of \$200,000 in general funds is recommended to maintain and support the State Radio Network. An increase of \$64,556 in general funds is to continue providing audio casting support of Legislative committee meetings and chamber sessions, as well as to expand streaming services to cover state agency, board, and commission meetings and hearings. A decrease of \$1,015,610 in federal fund expenditure authority is to align the budget with anticipated utilization. The Governor's total recommended FY2017 budget for the Bureau of Information and Telecommunications is \$7,084,543 in general funds, \$634,428 in federal fund expenditure authority, \$46,668,887 in other fund expenditure authority, and 390.5 FTE.

### **BUREAU OF HUMAN RESOURCES**

The total FY2017 budget consists of \$273,056 in general funds, \$6,520,202 in other fund expenditure authority, and 73.5 FTE. The Governor recommends decreases of \$50,000 in federal fund expenditure authority and \$500,000 in other fund expenditure authority due to the repeal of the Risk Pool during the 2015 Legislative Session.

#### **MILITARY**

The Governor's FY2017 budget recommendation for the Department of Military includes \$3,968,786 in general funds, \$20,572,860 in federal fund expenditure authority, \$28,877 in other fund expenditure authority, and 105.4 FTE. The budget reflects a decrease of \$134,471 in general funds and increases of \$1,093,648 in federal fund expenditure authority and 1.0 FTE.

#### **OFFICE OF THE ADJUTANT GENERAL**

The Governor's FY2017 budget recommendation for the Office of the Adjutant General includes \$549,106 in general funds, \$10,306 in federal fund expenditure authority, \$28,877 in other fund expenditure authority, and 5.3 FTE.

#### **ARMY GUARD**

The Governor's recommendation for the Army Guard includes increases of \$253,283 in general funds and \$1,042,585 in federal fund expenditure authority for statewide maintenance and repair (M&R) on South Dakota National Guard armories. This is the fourth year of a four year plan to reach an M&R budget which is 2% of the replacement value of the buildings. The overall FY2017 budget for the Army Guard division is \$18,123,960 in total funds and 52.1 FTE.

#### **AIR GUARD**

The Governor's FY2017 budget recommendation is \$434,669 in general funds and \$5,423,605 in federal fund expenditure authority. The increases of \$3,429 in general funds and \$10,289 in federal fund expenditure authority are for increased utility rates. Also included is an increase of \$40,774 in federal fund expenditure authority and 1.0 FTE for a Maintenance Specialist. The overall FY2017 budget for the Air Guard division is \$5,858,274 in total funds and 48.0 FTE.

## **VETERANS' AFFAIRS**

The Governor's FY2017 budget recommendation for the Department of Veterans' Affairs includes \$2,605,541 in general funds, \$1,549,602 in federal fund expenditure authority, and \$6,168,016 in other fund expenditure authority for a total of \$10,323,159 and 105.7 FTE. This budget recommendation consists of an increase of \$78,078 in general funds, \$196,264 in federal fund expenditure authority, and \$101,722 in other fund expenditure authority.

### **VETERANS' BENEFITS AND SERVICES**

The recommended FY2017 budget for Veterans' Benefits and Services is \$1,475,028 in general funds, \$275,523 in federal fund expenditure authority, and \$106,000 in other fund expenditure authority. The overall FY2017 budget for Veterans' Benefits and Services is \$1,856,551 in total funds and 20.0 FTE.

### **STATE VETERANS' HOME**

The Governor's recommendation for the State Veterans' Home includes an increase of \$78,078 in general funds, \$196,264 in federal fund expenditure authority, and \$101,722 in other fund expenditure authority. The increases are related to the number of Medicaid eligible beds at the new State Veterans' Home in Hot Springs, food services, and utility costs. The overall FY2017 budget for the State Veterans' Home is \$8,466,608 in total funds and 85.7 FTE.

## **REVENUE**

The Governor's recommended FY2017 budget for the Department of Revenue totals \$74,360,163, consisting of \$1,263,453 in general funds, \$73,096,710 in other fund expenditure authority, and 248.5 FTE. The Governor is recommending no major changes for FY2017.

### **SECRETARIAT**

The total FY2017 Governor's recommended budget for the Secretariat division consists of \$3,714,327 in other fund expenditure authority and 28.0 FTE.

### **BUSINESS TAX**

The total FY2017 Governor's recommended budget for Business Tax consists of \$4,447,092 in other fund expenditure authority and 57.5 FTE.

## **MOTOR VEHICLES**

The total FY2017 Governor's recommended budget for Motor Vehicles consists of \$6,439,668 in other fund expenditure authority and 46.0 FTE.

### **PROPERTY AND SPECIAL TAXES**

The total FY2017 Governor's recommended budget for Property and Special Taxes consists of \$1,263,453 in general funds and 15.0 FTE.

### **AUDITS**

The total FY2017 Governor's recommended budget consists of \$4,539,213 in other fund expenditure authority and 55.0 FTE.

### **LOTTERY**

The total FY2016 Governor's recommended budget for Lottery is \$40,960,261 of other fund expenditure authority and 31.0 FTE.

### **COMMISSION ON GAMING – INFORMATIONAL**

The total FY2017 Governor's recommended budget for the Commission on Gaming is \$10,643,302 in other fund expenditure authority and 16.0 FTE.

## **TOURISM**

The Governor's recommended budget for the Department of Tourism consists of \$878,000 in federal fund expenditure authority, \$15,666,634 in other fund expenditure authority, and 28.0 FTE. This includes an increase of \$1,094,738 in other fund expenditure authority.

### **TOURISM**

The Tourism budget is funded by revenues generated from Deadwood Gaming, a gross receipts tax on hotel rooms and other tourist activities, and the Co-op Revolving Fund. The total FY2017 recommended budget consists of \$14,831,575 in other fund expenditure authority and 25.0 FTE. Included in this budget is an increase of \$1,094,738 in other fund expenditure authority due to revenue increases from promotion and gaming taxes.

### **ARTS**

The total recommended FY2017 Arts budget consists of \$878,000 in federal fund expenditure authority, \$835,059 in other fund expenditure authority, and 3.0 FTE.

## **TRIBAL RELATIONS**

The Governor's recommended change to the FY2017 budget consists of increases of \$55,281 in general funds and 1.0 FTE for a policy/data analyst to assist with department projects and tribal outreach. The total recommended budget for the Department of Tribal Relations is \$510,950 in general funds, \$20,000 in other fund expenditure authority, and 6.0 FTE.

## **TRANSPORTATION**

The recommended FY2017 budget for the Department of Transportation is \$686,801,578 consisting of \$535,256 in general funds, \$388,246,629 in federal fund expenditure authority, \$298,019,693 in other fund expenditure authority, and 1,026.3 FTE. The budget includes an increase of \$68,475,837 in other fund expenditure authority.

### **GENERAL OPERATIONS**

The Governor's total FY2017 recommended budget for General Operations includes \$535,256 in general funds, \$41,777,756 in federal fund expenditure authority, \$153,475,408 in other fund expenditure authority, and 1,026.3 FTE. This includes an increase of \$25,837 in other fund expenditure authority for utilities.

### **CONSTRUCTION CONTRACTS - INFORMATIONAL**

The total budget for Construction Contracts is \$491,613,158, consisting of \$347,068,873 in federal fund expenditure authority and \$144,544,285 in other fund expenditure authority. Included is an increase of \$68,450,000 in other fund expenditure authority in accordance with Senate Bill 1 of the 2015 Legislative Session. The Construction Contracts division makes up 72% of the Department of Transportation's budget.

## **LABOR & REGULATION**

The Governor's FY2017 recommendation for the Department of Labor and Regulation is \$2,002,317 in general funds, \$31,451,076 in federal fund expenditure authority, and \$10,886,340 in other fund expenditure authority for \$48,661,725 in total funds and 457.3 FTE. This includes increases of \$524,742 in general funds, \$498,960 in other fund expenditure authority, as well as a decrease of \$6,550,032 in federal fund expenditure authority.

## **ADMINISTRATION**

The recommended budget is \$657,434 in general funds, \$15,110,272 in federal fund expenditure authority, and \$383,589 in other fund expenditure authority. This budget includes an increase of \$52,401 in general funds, a decrease of \$3,858,310 in federal fund expenditure authority, an increase of \$113,152 in other fund expenditure authority, and a decrease of 1.0 FTE. The FY2017 budget for Administration is \$16,151,565 in total funds and 52.5 FTE.

### **UNEMPLOYMENT INSURANCE**

The recommended budget is \$4,712,065 in federal fund expenditure authority, \$343,108 in other fund expenditure authority, and 79.0 FTE. This budget includes a decrease of \$1,150,333 in federal fund expenditure authority and 13.0 FTE to align the budget with anticipated utilization.

### **EMPLOYMENT SERVICES**

The recommended budget is \$641,790 in general funds, \$10,607,747 in federal fund expenditure authority, and 166.0 FTE. This includes an increase of \$472,071 in general funds due to decreased grant awards. Also included is a decrease of \$1,341,389 in federal fund expenditure authority and 14.0 FTE to align the budget with anticipated utilization.

### **STATE LABOR LAW ADMINISTRATION**

The total recommended budget is \$703,093 in general funds, \$476,363 in federal fund expenditure authority, \$491,749 in other fund expenditure authority, and 19.0 FTE.

### **PROFESSIONAL AND OCCUPATIONAL LICENSING - INFORMATIONAL**

This division is comprised of the informational budgets of nine professional and occupational licensing boards including: Board of Accountancy, Board of Barber Examiners, Cosmetology Commission, Plumbing Commission, Board of Technical Professions, the Electrical Commission, the Abstractors Board of Examiners, the Real Estate Commission, and the South Dakota Athletic Commission. The Governor's FY2017 recommendation for the Boards and Commissions include other fund expenditure authority increases to match projected expenditures within the Board of Accountancy for \$10,000 and the Cosmetology Commission for \$32,700. The recommended FY2017 budget is \$3,937,984 in other fund expenditure authority and 43.6 FTE.

## **BANKING**

The recommended FY2017 budget is \$2,888,546 in other fund expenditure authority and 28.5 FTE.

## **SECURITIES**

The FY2017 recommended budget consists of \$509,975 in other fund expenditure authority and 5.7 FTE.

## **INSURANCE**

The Governor's FY2017 recommended budget consists of \$544,629 in federal fund expenditure authority and \$2,331,119 in other fund expenditure authority for \$2,875,748 in total funds and 30.0 FTE.

## **SOUTH DAKOTA RETIREMENT SYSTEM**

The Governor's FY2017 recommended budget for the South Dakota Retirement System is \$4,321,992 in other fund expenditure authority, and 33.0 FTE. Included in this recommendation is an increase of \$45,000 in other fund expenditure authority.

## **PUBLIC SAFETY**

The Governor's FY2017 budget recommendation for the Department of Public Safety includes \$3,656,742 in general funds, \$17,531,980 in federal fund expenditure authority, and \$35,449,579 in other fund expenditure authority for \$56,638,301 in total funds and 411.5 FTE. This includes an increase of \$64,736 in general funds, and decreases of \$5,458,000 in federal fund expenditure authority, \$2,029,000 in other fund expenditure authority, and 2.0 FTE.

## **ADMINISTRATION**

The Governor's FY2017 budget recommendation for Administration is \$140,321 in general funds, \$89,702 in federal fund expenditure authority, and \$609,118 in other fund expenditure authority for \$839,141 in total funds and 8.5 FTE. This budget includes decreases of \$56,000 in federal fund expenditure authority and \$130,000 in other fund expenditure authority to align budget with anticipated utilization.

## **HIGHWAY PATROL**

The Division of Highway Patrol includes the South Dakota Highway Patrol, Accident Records, Highway Safety, and State Radio. The FY2017 recommendation includes \$1,390,844 in general funds, \$6,891,896 in federal fund expenditure authority, and \$23,055,636 in other fund expenditure authority. The overall FY2017 budget for Highway Patrol is \$31,338,376 in total funds

and 276.0 FTE. This budget includes decreases of \$980,000 in federal fund expenditure authority and \$414,000 in other fund expenditure authority to align budget with anticipated utilization.

## **EMERGENCY SERVICES AND HOMELAND SECURITY**

The Division of Emergency Services and Homeland Security includes: Emergency Management, the State Fire Marshal, and the Office of Homeland Security. The FY2017 budget recommendation for the Division of Emergency Services and Homeland Security includes \$1,338,393 in general funds, \$10,219,529 in federal fund expenditure authority, and \$267,766 in other fund expenditure authority for \$11,825,688 in total funds and 30.5 FTE. This budget includes decreases of \$4,422,000 in federal fund expenditure authority and \$85,000 in other fund expenditure authority to align budget with anticipated utilization.

## **LEGAL AND REGULATORY SERVICES**

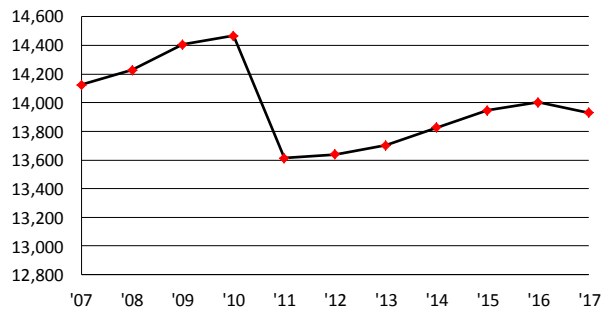
The Division of Legal and Regulatory Services includes Weights and Measures, Driver Licensing, and Inspections. The FY2017 recommended budget includes \$787,184 in general funds, \$330,853 in federal fund expenditure authority, and \$7,611,247 in other fund expenditure authority. The Governor is recommending increases of \$64,736 in general funds due to increased fees in Weights and Measures. Also included is a decrease of \$400,000 in other fund expenditure authority. The overall FY2017 budget for Legal and Regulatory Services is \$8,729,284 in total funds and 95.5 FTE.

## **911 COORDINATION BOARD - INFORMATIONAL**

The FY2017 budget for the 911 Coordination Board is \$3,905,812 in other fund expenditure authority and 1.0 FTE. The Governor recommends a decrease of \$1,000,000 in other fund expenditure authority to align budget with anticipated utilization.

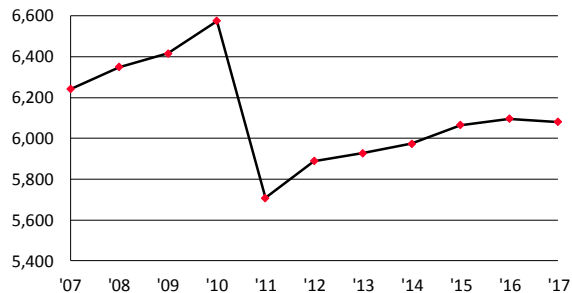
## FTE CHANGE

### FTE History All of State Government



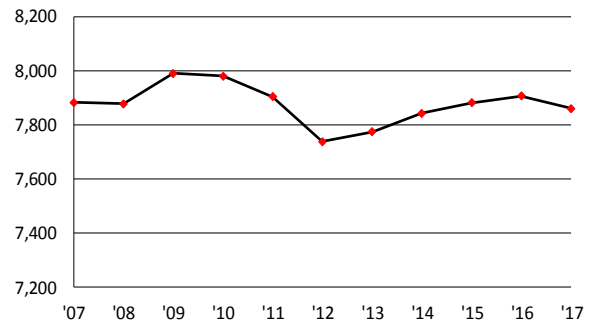
The total appropriated FTE decreased from 14,113.7 in FY2007 to a recommended level of 13,930.2 for FY2017. This is a decrease of 173.5 FTE, or 1.2%, over the decade. The recommended change in FTE for FY2017 is a decrease of 63.4 across state government.

### FTE History for Offices Outside Control of Governor



For offices outside the control of the Governor, total appropriated FTE changed from 6,240.1 in FY2007 to a recommended level of 6,079.8 for FY2017 for a net decrease of 160.3 FTE. The recommended changes for these offices in the FY2017 budget are a net decrease of 16.7 FTE. This includes increases of 4.0 FTE within the Unified Judicial System, 1.0 FTE in the Office of the Attorney General, and 0.3 FTE in the Secretary of State's office. Also included is a decrease of 22.0 FTE in the Board of Regents.

### FTE History for Offices Under Control of Governor



The agencies under direct control of the Governor had total appropriated FTE of 7,873.6 in FY2007. The FY2017 budget recommendation brings the FTE to a level of 7,860.4. This is a decrease of 13.2 FTE, or 0.2%, over the decade. The recommended decrease of 46.7 FTE in the FY2017 budget includes increases of 61.0 FTE in the Department of Social Services, 10.5 FTE in the Department of Game, Fish and Parks, 1.0 FTE in the Department of the Military, and 1.0 FTE in the Department of Tribal Relations, along with decreases of 1.0 FTE in the Department of Education, 2.0 FTE in the Department of Public Safety, 3.0 FTE in the Bureau of Administration, 27.4 FTE in the Department of Labor and Regulation, 32.3 FTE in the Governor's Office, and 57.2 FTE in the Department of Corrections.

## SPECIAL APPROPRIATION RECOMMENDATIONS

FY2016 EMERGENCY SPECIAL APPROPRIATIONS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
Prepay Bonds		\$ 42,312,084			\$ 42,312,084
Extraordinary Litigation Fund		\$ 2,449,502			\$ 2,449,502
Native American Student Achievement		\$ 2,200,000			\$ 2,200,000
Fire Suppression Fund		\$ 2,100,000			\$ 2,100,000
Need-Based Endowment		\$ 2,100,000			\$ 2,100,000
SDDC Building Demolition		\$ 1,808,000			\$ 1,808,000
Railroad Trust Fund		\$ 1,000,000			\$ 1,000,000
Secretary of State Online Business Registration System		\$ 716,000			\$ 716,000
Tax Refunds for Elderly and Disabled		\$ 450,000			\$ 450,000
SPL Dam Maintenance and Repair		\$ 250,000			\$ 250,000
Rural Residency Startup		\$ 205,000			\$ 205,000
USS South Dakota		\$ 100,000			\$ 100,000
Omnibus Water Bill			\$ 4,150,000	\$ 12,161,500	\$ 16,311,500
ADRD Design Study				\$ 1,575,000	\$ 1,575,000
Conservation Grant				\$ 1,000,000	\$ 1,000,000
<b>TOTAL FY2016 EMERGENCY SPECIAL APPROPRIATIONS</b>	<b>0.0</b>	<b>\$ 55,690,586</b>	<b>\$ 4,150,000</b>	<b>\$ 14,736,500</b>	<b>\$ 74,577,086</b>

**NOTE:** FY2016 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2016 column of the General Fund Condition Statement.

Governor Dugaard is recommending total emergency special appropriations of \$55,690,586 in general funds, \$4,150,000 in federal fund expenditure authority, and \$14,736,500 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- **Prepay Bonds:** The Governor is recommending \$42,312,084 in general funds to prepay four separate outstanding bonds that were issued for the following purposes: upgrade of Board of Regents science facilities (series 2008 A-2: \$26,892,774 / 2008 A-3: \$8,612,640) and various projects at the Technical Institutes (Series 2007: \$5,262,972 / Series 2014 A: \$1,543,698). The savings from eliminating the lease payments on the bonds will be utilized by the Board of Regents and Technical Institutes to freeze tuition.
- **Extraordinary Litigation Fund:** The Governor is recommending \$2,449,502 in general funds be deposited into the Extraordinary Litigation Fund to fund litigation expenses which are not eligible to be paid under SDCL 3-22-1.
- **Native American Student Achievement:** The Governor is recommending \$2,200,000 in general funds be used to improve the educational outcomes for Native American students based on the recommendations of the Native American Student Achievement Advisory Council.
- **Fire Suppression Fund:** The Governor is recommending \$2,100,000 in general funds for the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- **Need-Based Endowment:** The Governor is recommending \$2,100,000 in general funds be used to provide additional funding to the Education Enhancement Trust Fund for the purpose of providing grants to qualified need-based students.
- **SDDC Building Demolition:** The Governor is recommending \$1,808,000 in general funds for the demolition of three buildings at the South Dakota Developmental Center (SDDC).
- **Railroad Trust Fund:** The Governor is recommending \$1,000,000 in general funds for upcoming rail infrastructure projects.
- **Secretary of State Online Registration System:** The Governor is recommending \$716,000 in general funds for the purchase and development of software to allow all business/corporation filings to be completed online.
- **Tax Refunds for Elderly and Disabled Persons:** The Governor is recommending \$450,000 in general funds for tax refunds for elderly and disabled individuals who meet income guidelines.
- **SPL Dam Maintenance and Repair:** The Governor is recommending \$250,000 in general funds be used for the maintenance and repair of state owned dams.
- **Rural Residency Startup:** The Governor is recommending \$205,000 in general funds to be used to support the development of a rural family medicine track for six medical students to address health care workforce shortages.

- **USS South Dakota:** The Governor is recommending \$100,000 in general funds for the commissioning of the USS South Dakota.
- **Omnibus Water Bill:** The Governor is recommending \$4,150,000 in federal fund expenditure authority and \$12,161,500 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.
- **ADRD Design Study:** The Governor is recommending \$1,575,000 in other fund expenditure authority for the design study of a new Animal Disease Research and Diagnostic Laboratory.
- **Conservation Grant:** The Governor is recommending \$1,000,000 in other fund expenditure authority for the continued assistance of promoting conservation practices to reduce erosion, improve cropland and grazing conditions, improve surface water, and enhance habitat.

FY2016 GENERAL BILL AMENDMENTS	FTE	GENERAL FUNDS	FEDERAL FUNDS	OTHER FUNDS	TOTAL
GFP Bond Payment Obligations		\$ 1,006,573			\$ 1,006,573
Medicare Part B Premium		\$ 954,128	\$ 1,018,026		\$ 1,972,154
Correctional Healthcare Shortfall		\$ 736,395		\$ 736,395	\$ 1,472,790
Dual Credit Shortfall		\$ 656,880			\$ 656,880
Birth to Three Shortfall		\$ 603,780			\$ 603,780
DENR Computer System Upgrade		\$ 175,000			\$ 175,000
SDPB Audio Casting		\$ 174,344			\$ 174,344
Cribs for Kids		\$ 120,000			\$ 120,000
Honor Guard Detail Funeral Stipend		\$ 45,000			\$ 45,000
Technical Institute Formula Shortfall		\$ 20,232			\$ 20,232
Statewide Utilities		\$ (1,250,489)	\$ (75,345)	\$ (142,579)	\$ (1,468,413)
State Aid Revision		\$ (3,100,000)			\$ (3,100,000)
Statewide Health Insurance		\$ (8,255,823)	\$ (3,931,822)	\$ (8,795,577)	\$ (20,983,222)
Rail Projects				\$ 9,868,351	\$ 9,868,351
DOR License Plate Production Costs				\$ 3,092,745	\$ 3,092,745
Workforce Education Fund				\$ 1,297,339	\$ 1,297,339
DSU Health Link				\$ 750,000	\$ 750,000
Tourism Promotion and Gaming				\$ 483,000	\$ 483,000
<b>TOTAL FY2016 GENERAL BILL AMENDMENTS</b>	<b>0.0</b>	<b>\$ (8,113,980)</b>	<b>\$ (2,989,141)</b>	<b>\$ 7,289,674</b>	<b>\$ (3,813,447)</b>

**NOTE:** FY2016 general bill amendments are changes needing to be made to the FY2016 General Appropriations Act and are included in the FY2016 column of the General Fund Condition Statement.

Governor Dugaard is recommending total general bill amendments of (\$8,113,980) in general funds, (\$2,989,141) in federal fund expenditure authority, and \$7,289,674 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2016 General Bill.

- **GFP Bond Payment Obligations:** The Governor is recommending \$1,006,573 in general funds to make the first payment of a new bond for Custer State Park.
- **Medicare Part B Premium:** The Governor is recommending \$954,128 in general funds and \$1,018,026 in federal fund expenditure authority to pay for increased premiums.
- **Correctional Healthcare Shortfall:** The Governor is recommending \$736,395 in general funds to cover the shortfall in Correctional Health due to costs associated with significant inmate healthcare events.
- **Dual Credit Shortfall:** The Governor is recommending \$656,880 in general funds to pay for additional dual credit courses, based on increased interest in the dual credit program.
- **Birth to Three Shortfall:** The Governor is recommending \$603,780 in general funds to continue to provide birth to three services as federal funds have been depleted.
- **DENR Computer System Upgrade:** The Governor is recommending \$175,000 in general funds for the Department of Environment and Natural Resources to finalize a computer system upgrade by the Bureau of Information and Telecommunications.
- **SDPB Audio Casting:** The Governor is recommending \$174,344 in general funds to continue providing audio casting support of Legislative committee meetings and chamber sessions, as well as expand streaming services to cover state agency, board, and commission meetings.
- **Cribs for Kids:** The Governor is recommending \$120,000 in general funds for the Safe Sleep/Cribs for Kids program.
- **Honor Guard Detail Funeral Stipend:** The Governor is recommending \$45,000 in general funds to reimburse veteran organizations for furnishing honor guard detail at the funeral of deceased veterans.
- **Technical Institute Formula Shortfall:** The Governor is recommending \$20,232 in general funds in the technical institute formula due to increased FTE.
- **Statewide Utilities:** The Governor is recommending decreases of \$1,250,489 in general funds, \$75,345 in federal fund expenditure authority, and \$142,579 in other fund expenditure authority due to utilities cost projections.
- **State Aid Revision:** The Governor is recommending a decrease of \$3,100,000 in general funds in state aid to general education due to fewer students and higher property valuation growth than budgeted in FY2016.



- **Statewide Health Insurance:** The Governor is recommending decreases of \$8,255,823 in general funds, \$3,931,822 in federal fund expenditure authority, and \$8,795,577 in other fund expenditure authority due to decreases in the healthcare costs.
- **Rail Projects:** The Governor is recommending \$9,868,351 in other fund expenditure authority in the Railroad Trust Fund for infrastructure projects.
- **DOR License Plate Production Costs:** The Governor is recommending a \$3,092,745 increase in other fund expenditure authority for the Department of Revenue to cover additional costs in FY2016 related to the new license plate production.
- **Workforce Education Fund:** The Governor is recommending \$1,297,339 in other fund expenditure authority to disburse Workforce Education funding in accordance with SDCL 13-13-73.
- **DSU Health Link:** The Governor is recommending \$750,000 in other fund expenditure authority related to the Health Link project at Dakota State University.
- **Tourism Promotion and Gaming:** The Governor is recommending \$483,000 in other fund expenditure authority due to an increase in promotion and gaming revenues.

**GOVERNOR DAUGAARD'S RECOMMENDATION FOR THE  
FY2017 STATE EMPLOYEE COMPENSATION PLAN**

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
<b>MARKET ADJUSTMENT</b>	<b>\$ 9,236,940</b>	<b>\$ 4,058,267</b>	<b>\$10,166,930</b>	<b>\$23,462,137</b>

The Governor is recommending all permanent state employees receive a 2.7% market adjustment. Employees in the career bands will receive market adjustments based on actual market movement of their job family.

<b>Permanent Employees</b> (excluding Career Band Employees)	Annual Adjustment	2.7%
<b>Career Band Employees</b>	Actual Market Adjustments	
	Accountants / Auditors	0.0%
	Information Technology	0.0%
	Nurses	1.0%
	Environmental Scientists	2.5%
	Engineers	2.7%

<b>MOVEMENT TOWARD MARKET VALUE:</b>	<b>\$ 4,316,305</b>	<b>\$ 2,482,671</b>	<b>\$ 4,269,958</b>	<b>\$11,068,934</b>
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For FY2017, the employees in the General Pay Structure established last year are recommended to receive 2.5% movement towards their new market values. The Career Band families are recommended to receive 0-4.5% increases, averaging 2.5%, based on pay-for-performance and position in range. The pay-for-performance increases will be applied to the employees' base salary or wage.

<b>General Pay Structure Employees *</b>	Movement Towards Market Value	2.5%
<b>Career Band Employees</b>	Performance-Based Adjustment	0 to 4.5%
<b>Unclassified Employees</b>		0%
<i>* Includes General Pay Structure and agencies with established classifications and assigned pay grades</i>		

<b>HEALTH INSURANCE CHANGE:</b>	<b>\$ (1,453,652)</b>	<b>\$ (708,694)</b>	<b>\$ (1,566,777)</b>	<b>\$ (3,729,123)</b>
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A decrease of \$275 per benefitted employee is recommended by the Governor for the employer-paid portion of the state employee health insurance plan for FY2017.

<b>TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:</b>	<b><u>\$12,099,593</u></b>	<b><u>\$ 5,832,244</u></b>	<b><u>\$12,870,111</u></b>	<b><u>\$30,801,948</u></b>
REMAINING FY2016 POOL:	\$ (2,270)	\$ (312,180)	\$ (490,026)	\$ (804,476)
<b>TOTAL INCREASE FOR RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:</b>	<b><u>\$12,097,323</u></b>	<b><u>\$ 5,520,064</u></b>	<b><u>\$12,380,085</u></b>	<b><u>\$29,997,472</u></b>

For FY2017, the state employee compensation plan was recommended as a pool in the Bureau of Finance and Management to be distributed to the agencies after the preliminary career band pay-for-performance scores and percentages have been calculated.

**GOVERNOR'S RECOMMENDED FY2017  
GENERAL FUND BASE BUDGET**

<b>GENERAL BILL</b>	<b>FTE EXPANSION/ (REDUCTION)</b>	<b>GENERAL FUND EXPANSION/ (REDUCTION)</b>	<b>TOTAL GENERAL FUND ADOPTED BUDGET</b>
Administration	(3.0)	6,883,256	19,241,366
Agriculture	0.0	120,945	6,995,141
Attorney General	1.0	446,464	11,013,380
Corrections	(57.2)	3,661,260	100,099,175
Education (Excluding State Aid and Technical Institutes)	(1.0)	2,028,714	15,713,356
State Aid to Education Technical Institutes		12,930,044 1,717,837	426,808,380 24,908,796
Environment and Natural Resources	0.0	0	6,445,415
Finance and Management	0.0	(284,761)	6,093,132
Employee Compensation Package		12,099,592	11,134,753
Game, Fish, and Parks	10.5	1,000,746	6,177,838
Gubernatorial Division (Excluding GOED)	0.0	0	2,425,460
Governor's Office of Economic Development	(32.3)	250,000	6,705,461
Health	2.7	881,658	9,315,278
Human Resources	0.0	0	273,056
Human Services	0.0	(67,188)	78,606,606
Information and Telecommunications	0.0	264,556	7,084,543
Labor and Regulation (Includes SD Retirement System)	(27.4)	524,472	2,002,317
Legislature	0.0	(45,741)	9,376,646
Military	1.0	(134,471)	3,968,786
Public Safety	(2.0)	64,736	3,656,742
Public Utilities Commission	0.0	0	565,686
Regents	(22.0)	5,104,509	206,487,775
Revenue	0.0	0	1,263,453
School and Public Lands	0.0	0	548,596
Secretary of State	0.3	(297,964)	686,525
Social Services	61.0	10,816,090	473,553,357
State Auditor	0.0	0	1,251,048
State Treasurer (Including Investment Council)	0.0	0	532,895
Tourism	0.0	0	0
Transportation	0.0	0	535,256
Tribal Relations	1.0	55,281	510,950
Unified Judicial System	4.0	1,205,926	42,707,786
Veterans' Affairs	0.0	78,078	2,605,541
<b>TOTAL FY2017 GENERAL BILL RECOMMENDATIONS</b>	<b>(63.4)</b>	<b>59,304,039</b>	<b>1,489,294,495</b>
<b>BREAKDOWN</b>			
Executive Branch	(46.7)	26,143,372	750,846,769
Unified Judicial System and Other Elected Officials	5.3	1,308,685	69,108,022
State Aid		12,930,044	426,808,380
Technical Institutes		1,717,837	24,908,796
Board of Regents	(22.0)	5,104,509	206,487,775
Employee Compensation Package		12,099,592	11,134,753
<b>TOTAL FY2017 GENERAL BILL RECOMMENDATIONS</b>	<b>(63.4)</b>	<b>59,304,039</b>	<b>1,489,294,495</b>

## GENERAL FUND CONDITION STATEMENT

	ACTUAL FY2014	ACTUAL FY2015	REVISED FY2016	PROJECTED FY2017
<b>RECEIPTS</b>				
Sales and Use Tax	\$ 823,401,593	\$ 836,587,108	\$ 872,644,580	\$ 904,858,369
Lottery	6,296,600	6,952,306	109,131,373	111,325,514
Contractor's Excise Tax	90,409,495	100,116,439	104,126,810	108,420,550
Insurance Company Tax	75,110,734	79,976,685	83,809,944	88,901,320
Unclaimed Property Receipts	59,761,191	52,914,188	57,957,560	50,515,127
Tobacco Taxes	30,000,000	30,000,000	56,318,587	55,866,280
Bank Franchise Tax	10,782,035	8,583,099	5,418,516	11,424,177
Property Tax Reduction Fund	106,529,196	112,690,797	N/A	N/A
Other	151,506,401	153,564,321	152,093,654	161,267,094
One-Time Receipts	77,590,390	26,527,656	11,832,509	-
Transfer from Budget Reserves	-	-	27,426,643	-
Transfer from Property Tax Reserves	19,626,221	-	-	-
Obligated Cash Carried Forward	25,216,171	9,876,349	21,535,148	-
<b>TOTAL RECEIPTS</b>	<b>\$ 1,476,230,027</b>	<b>\$ 1,417,788,948</b>	<b>\$ 1,502,295,324</b>	<b>\$ 1,492,578,431</b>
<b>EXPENDITURES</b>				
General Bill Excl. State Aid				
to Education	\$ 897,015,578	\$ 969,421,953	\$ 1,011,098,140	\$ 1,062,486,115
State Aid to Education	388,886,137	391,438,343	410,778,336	426,808,380
Special Appropriations	5,183,800	-	-	-
Emergency Special Appropriations	141,217,725	22,575,311	55,690,586	-
Continuous Appropriations	2,617,916	2,941,844	3,144,305	3,283,936
Expenditure Transfers	7,200,000	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,442,121,156</b>	<b>\$ 1,386,377,451</b>	<b>\$ 1,480,711,367</b>	<b>\$ 1,492,578,431</b>
<b>TRANSFERS</b>				
Budget Reserve Fund	\$ 24,232,522	\$ 9,876,349	\$ 21,535,148	\$ -
<b>TOTAL TRANSFERS</b>	<b>\$ 24,232,522</b>	<b>\$ 9,876,349</b>	<b>\$ 21,535,148</b>	<b>\$ -</b>
<b>Beginning Unobligated Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net (Receipts less Expend./Transfers)</b>	<b>\$ 9,876,349</b>	<b>\$ 21,535,148</b>	<b>\$ 48,809</b>	<b>\$ -</b>
<b>OBLIGATIONS AGAINST CASH</b>				
Budget Reserve Fund	\$ (9,876,349)	\$ (21,535,148)	\$ -	\$ -
<b>Total Obligations Against Cash</b>	<b>(9,876,349)</b>	<b>(21,535,148)</b>	<b>-</b>	<b>-</b>
<b>Ending Unobligated Cash Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,809</b>	<b>\$ -</b>

**SOURCE:** State of South Dakota Bureau of Finance and Management

**NOTE:** This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash.  
The totals may not add due to rounding.

## TOTAL STATE GOVERNMENT BUDGET (Excluding Information Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2014	ACTUAL FY 2015	BUDGETED FY 2016	REQUESTED FY 2017	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,285,901,715	\$ 1,360,860,291	\$ 1,429,990,456	\$ 1,515,445,761	\$ 1,489,294,495	\$ 59,304,039
Federal Funds	1,018,998,562	1,009,962,062	1,279,247,198	1,317,576,272	1,642,989,785	363,742,587
Other Funds	720,767,126	800,776,247	898,272,892	903,342,573	898,270,096	( 2,796 )
<b>Total</b>	<b>\$ 3,025,667,403</b>	<b>\$ 3,171,598,600</b>	<b>\$ 3,607,510,546</b>	<b>\$ 3,736,364,606</b>	<b>\$ 4,030,554,376</b>	<b>\$ 423,043,830</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 794,878,445	\$ 819,791,030	\$ 889,159,519	\$ 897,641,830	\$ 915,790,936	\$ 26,631,417
Operating Expenses	2,230,788,958	2,351,807,570	2,718,351,027	2,838,722,776	3,114,763,440	396,412,413
<b>Total</b>	<b>\$ 3,025,667,403</b>	<b>\$ 3,171,598,600</b>	<b>\$ 3,607,510,546</b>	<b>\$ 3,736,364,606</b>	<b>\$ 4,030,554,376</b>	<b>\$ 423,043,830</b>
Staffing Level FTE:	11,797.5	11,300.1	12,701.1	12,737.7	12,668.7	( 32.4 )

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2016	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
General Funds	\$ 50,720,911	\$ 3,283,936	( \$ 47,436,975 )
Federal Funds	7,160,859	6,000,000	( 1,160,859 )
Other Funds	30,199,444	1,283,270	( 28,916,174 )
<b>Total</b>	<b>\$ 88,081,214</b>	<b>\$ 10,567,206</b>	<b>( \$ 77,514,008 )</b>
Staffing Level FTE:	0.0	0.0	( 0.0 )

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2016	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
General Funds	\$ 1,480,711,367	\$ 1,492,578,431	\$ 11,867,064
Federal Funds	1,286,408,057	1,648,989,785	362,581,728
Other Funds	928,472,336	899,553,366	( 28,918,970 )
<b>Total</b>	<b>\$ 3,695,591,760</b>	<b>\$ 4,041,121,582</b>	<b>\$ 345,529,822</b>
Staffing Level FTE:	12,701.1	12,668.7	-32.4

## INFORMATION BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2014	ACTUAL FY 2015	BUDGETED FY 2016	REQUESTED FY 2017	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
<b>FUNDING SOURCE:</b>						
General Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Federal Funds	377,107,782	337,845,504	387,700,480	388,538,638	388,752,044	1,051,564
Other Funds	319,000,079	342,190,878	335,251,761	412,776,447	407,763,785	72,512,024
<b>Total</b>	<b>\$ 696,107,861</b>	<b>\$ 680,036,382</b>	<b>\$ 722,952,241</b>	<b>\$ 801,315,085</b>	<b>\$ 796,515,829</b>	<b>\$ 73,563,588</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 112,045,703	\$ 113,109,955	\$ 122,278,007	\$ 119,668,539	\$ 119,662,906	( \$ 2,615,101 )
Operating Expenses	584,062,158	566,926,427	600,674,234	681,646,546	676,852,923	76,178,689
<b>Total</b>	<b>\$ 696,107,861</b>	<b>\$ 680,036,382</b>	<b>\$ 722,952,241</b>	<b>\$ 801,315,085</b>	<b>\$ 796,515,829</b>	<b>\$ 73,563,588</b>
Staffing Level FTE:	1,447.0	0.0	1,302.5	1,271.5	1,271.5	( 31.0 )

## INFORMATION BUDGETS

South Dakota Building Authority  
 South Dakota Health and Educational Facilities Authority  
 Public Entity Pool for Liability (PEPL) Administration  
 PEPL Fund Claims  
 Insurance Fraud Unit  
 Petroleum Release Fund  
 Lottery Instant and On-Line Operations  
 Real Estate Commission  
 Abstractors Board of Examiners  
 South Dakota Athletic Commission  
 Commission on Gaming  
 American Dairy Association  
 Wheat Commission  
 Oilseeds Council  
 Soybean Research and Promotion Council  
 Brand Board  
 Corn Utilization Council  
 Board of Veterinary Medical Examiners  
 South Dakota Pulse Crops Council  
 South Dakota Housing Development Authority  
 South Dakota Science and Technology Authority  
 South Dakota Energy Infrastructure Authority  
 South Dakota Ellsworth Development Authority  
 Building South Dakota Fund  
 Division of Wildlife  
 Wildlife Development and Improvement  
 Snowmobile Trails Program  
 Board of Chiropractic Examiners  
 Board of Dentistry  
 Board of Hearing Aid Dispensers  
 Board of Funeral Service  
 Educational Enhancement Funding Corporation

Board of Medical and Osteopathic Examiners  
 Board of Nursing  
 Board of Nursing Home Administrators  
 Board of Examiners in Optometry  
 Board of Pharmacy  
 Board of Podiatry Examiners  
 Board of Massage Therapy  
 Board of Speech-Language Pathology  
 Board of Accountancy  
 Board of Barber Examiners  
 Cosmetology Commission  
 Plumbing Commission  
 Board of Technical Professions  
 Electrical Commission  
 Highway Construction Contracts  
 911 Coordination Board  
 Tuition and Fee Fund  
 Army/Air National Guard  
 Board of Counselor Examiners  
 Board of Psychology Examiners  
 Board of Social Work Examiners  
 Board of Addiction and Prevention Professionals  
 Regulated Response Fund  
 Livestock Cleanup  
 Public Utilities Commission Administration  
 Grain Warehouse  
 Fixed Utilities  
 Pipeline Safety  
 One-Call Notification Board  
 State Bar Association  
 Unclaimed Property Fund

# TOTAL STATE GOVERNMENT BUDGET

## (Including Information Budgets)

### GENERAL APPROPRIATIONS BILL

	ACTUAL FY 2014	ACTUAL FY 2015	BUDGETED FY 2016	REQUESTED FY 2017	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
<b>FUNDING SOURCE:</b>						
General Funds	\$ 1,285,901,715	\$ 1,360,860,291	\$ 1,429,990,456	\$ 1,515,445,761	\$ 1,489,294,495	\$ 59,304,039
Federal Funds	1,396,106,343	1,347,807,566	1,666,947,678	1,706,114,910	2,031,741,829	364,794,151
Other Funds	1,039,767,205	1,142,967,124	1,233,524,653	1,316,119,020	1,306,033,881	72,509,228
<b>Total</b>	<b>\$ 3,721,775,264</b>	<b>\$ 3,851,634,982</b>	<b>\$ 4,330,462,787</b>	<b>\$ 4,537,679,691</b>	<b>\$ 4,827,070,205</b>	<b>\$ 496,607,418</b>
<b>EXPENDITURE DETAIL:</b>						
Personal Services	\$ 906,924,148	\$ 932,900,985	\$ 1,011,437,526	\$ 1,017,310,369	\$ 1,035,453,842	\$ 24,016,316
Operating Expenses	2,814,851,116	2,918,733,997	3,319,025,261	3,520,369,322	3,791,616,363	472,591,102
<b>Total</b>	<b>\$ 3,721,775,264</b>	<b>\$ 3,851,634,982</b>	<b>\$ 4,330,462,787</b>	<b>\$ 4,537,679,691</b>	<b>\$ 4,827,070,205</b>	<b>\$ 496,607,418</b>
Staffing Level FTE:	13,244.5	13,259.3	14,003.6	14,009.2	13,940.2 (	63.4 )

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

FUNDING SOURCE:	REVISED BUDGETED FY 2016	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
General Funds	\$ 50,720,911	\$ 3,283,936	( \$ 47,436,975 )
Federal Funds	7,160,859	6,000,000	( 1,160,859 )
Other Funds	30,199,444	1,283,270	( 28,916,174 )
<b>Total</b>	<b>\$ 88,081,214</b>	<b>\$ 10,567,206</b>	<b>( \$ 77,514,008 )</b>
Staffing Level FTE:	0.0	0.0	( 0.0 )

### TOTAL STATE GOVERNMENT BUDGET

FUNDING SOURCE:	REVISED BUDGETED FY 2016	GOVERNOR'S RECOMMENDED FY 2017	RECOMMENDED INC/(DEC) FY 2017
General Funds	\$ 1,480,711,367	\$ 1,492,578,431	\$ 11,867,064
Federal Funds	1,674,108,537	2,037,741,829	363,633,292
Other Funds	1,263,724,097	1,307,317,151	43,593,054
<b>Total</b>	<b>\$ 4,418,544,001</b>	<b>\$ 4,837,637,411</b>	<b>\$ 419,093,410</b>
Staffing Level FTE:	14,003.6	13,940.2	-63.4